

CANADA'S

WEEKLY NEWSMAGAZINE

# Maclean's

FEBRUARY 3, 1997

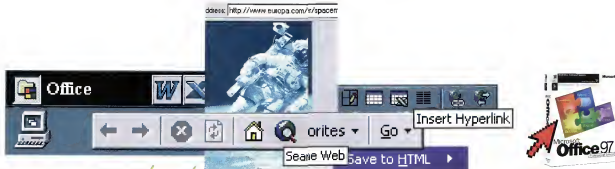
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## On lying and cheating



Robert Louis

But there is more. In Somalia, Canadian soldiers murder a teenager at their base camp. Officers doctor documents to keep the media off the trail. And the government summarily shuts down a public

### Newsroom Notes:

### Watching Hong Kong

From his Vancouver base, Wood has been



The package was edited by World Editor Berton Woodward, who worked for 16 years as a journalist in Hong Kong before joining Maclean's in 1995. As the handover nears, a knowledgeable Maclean's team will be watching.

Who won the first Oscar?

How many eggs does a spider lay?

What are the parts of motion?

Who invented cars?

Why do stars rock?

Why do I get the hiccups?

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## Revenge or justice?

While your cover tale "Brian Mulroney's revenge" (Jan. 20) may interest readers, I feel "Brian Mulroney's justice" would have been far more appropriate. Whether Canada was like Mulroney or not, all critics should be subjected to unfounded and politically motivated accusations.

Bruce Lewis,  
Surreyville, Ont. 28

Canadians rejected the Conservative party during the last federal election because we were sick and tired of the politics of Brian Mulroney. I don't hate him. I just want to forget him. I certainly don't want 10 pages of Mulroney dedicated to him.

Poppy Monro,  
Saskatoon, S.R.

Now that Brian Mulroney has beaten the Liberal government, it is time for taxpayers to do the same. Unfortunately for the taxpayer, it is much more difficult. In many ways, this Liberal government has proven to be as bad, if not worse, than the Mulroney government. As the saying goes: "It doesn't matter who you vote for; the government always gets in."

Bill Sirota,  
Burns

You quote Brian Mulroney as saying that the Liberals "have no grace." First, Prime Minister Jean Chrétien on down, they are a malicious bunch of bastards. Lack of grace? I would say Chrétien was most graceful in placing Ken Campbell from the ranks of the unemployed and unemployable bar to a minister in Lou Anglin as Canada's consul general. In addition to demonstrating grace, Chrétien was diffusing his province of jobs, jobs, jobs. Mind you, as Chrétien explained at the CBC town hall meeting, you may have to move to get one.

Donald H. Cobb,  
Stirling, Ont.

## LETTERS TO THE EDITOR

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Maclean's welcomes readers' input but items may be edited for space and clarity. Please supply names, addresses and daytime telephone number. Submissions may appear in Maclean's electronic version.



Mulroney: politically motivated accusations

## Efficient government

Duane Francis's column ignores several important facts about "downsizing" of governments through amalgamation ("A time to reduce the official head count," Column, Jan. 26). First, the cost savings that amalgamations predicted have not materialized in two town/county amalgamations—Halifax and Sydney. Second, downsizing governments means downsizing representation. Third, eliminating bureaucratic jobs indicates that the must know of some place in the private sector where redundant bureaucrats will find other jobs. Finally, her cavalier conception of merging the Atlantic provinces and the Prairie provinces ignores completely the cultural and historical differences within these regions.

Alfred MacDonell,  
Lethbridge, N.S.

I am both a high school principal and a town councillor, and here in Alberta, where the number of school boards was reduced, we have seen little difference in the bottom line. Although communities no longer have as many representatives at the board table, school principals are travelling much greater distances to meet more often at amalgamated regional offices, attempting to work through the confusion and disorganization that has resulted in the area of social services; there are actually more people working for programs through government

## Russians in Israel

It saddens me to see that for many Russian Jews, the promised land has proved an empty promise ("Pursuing the promised land," Immigration, Jan. 23). Undoubtedly, attacks of discrimination in Israel against Russian immigrants surface in many forms. It is worth remembering, however, that Israel has embarked on a Herculean task in pledging to absorb all Jews from the former Soviet Union. Friction in carrying out such a project is inevitable. One can only sympathize with those now seeking asylum in Canada. Yet the fact remains that many arrive Israelis have also had their share of hardship and sorrow. The first Jewish pioneers in Palestine, many of them from Russia, had to build a country from scratch in circumstances plenty more severe than those the new immigrants have had to put up with now.

Rosie Krauss,  
Ottawa

agents and lower on the payroll where they might receive benefits. All of the new programs are self-funding and managed by volunteers because there is no money for the administration. The result is that no one seems to know exactly what to do. These efforts may be cost-effective. They do not appear to be service-effective.

Mary Jane Crawford,  
Grande Cache, Alta. 28

Long live Duane Francis. We can assume, however, that U.S. legislators at the federal and state level work better; not only because they represent more constituents per legislator, but principally because in the United States every piece of legislation is decided by a free vote. They have to think about issues, not just rubber stamp decisions arrived at by elite party caucuses or caucuses.

John Cross,  
Toronto, Ont.

If Duane Francis wants efficient government, why not scrap elections, councils, legislative assemblies and Parliament. Democracy is less efficient than tyranny, but I know which system I prefer.

Allen Dennis,  
Mississauga, Ont. 28

## Food from the lab

The most distasteful thing about the scientific industry's determination to just genetically engineered foods on an urban farmed public ("Unnatural selection," Science, Jan. 26) is that these radical products



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Eighteen March, Paris

## LEGENDARY ADVENTURES AND UNEXPECTED PLEASURES

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WHAT MATTERS TO CANADIANS

## Another View



# Charles Gordon

## Achieving virtue through stinginess

A s Canada's neoconservatives dig in, and even flourish, it is not surprising that they would seek to develop a philosophy of sorts, something with a bit more sophistication than the *Ayn Rand*isms they learned at prep school.

The impulse behind philosophical neoconservatism, clearly, is to make neocons feel justified in keeping their money from being taxed. Government action is what causes money to be taxed, so the neoconservatives must attack government action; the philosophy must be, in effect, a denunciation, which is not exactly a concept to set the pulse racing.

In the absence of a lofty sounding justification for keeping their money, neo-cons are vigorously attacking in the media the values and intentions of those who would spend it. You might have noticed that neo-cons, whatever their other attributes, are not likely to be drawn from among the less fortunate areas of society. In the old days, when liberals and worse were running the country and denouncing its media, people who had money were more likely to feel guilty for that. Now, neoconservatives own the media, and every day we see our rights to media that profit us waning.

Remember the notion that homeless people actually prefer to be homeless? What a great excuse not to expend effort and money helping them. More recently, with the Liberal government getting up for an attack on child poverty, there are attempts on the right to renege the poverty line, so that fewer people are under it. If Statistics Canada acts like urban poverty line at \$32,000 and you, the neo-con economist, set it at \$18,000, that's quite a few of your tax dollars that don't have to be spent helping the poor.

If we are asking how many children are likely to be hungry or ill-housed, as opposed to looking at some social amenities, then we don't have nearly anything like the official rate," says one report published by the neo-con idea bank, the Fraser Institute.

You recognize the key words there: "Some social amenities"—a lot of people officially classified as living in poverty are really just lacking some social amenities. Victims of social amenities dance in neo-con leads color TVs, golf memberships, VCRs, ballet lessons. Should we call people poor, they ask, just because they can't afford golf memberships? Should we spend our tax dollars to help them? A good philosophy can make a person feel positively virtuous about refusing to help at all.

This philosophy of stinginess is most dramatically illustrated in the recent attack on the Christian government's attempt to mount a mission in aid of the hundreds of thousands of refugees in Zaire. When many of the refugees returned to Rwanda before Canadian troops could be of any assistance to them, commentators, without even pausing to be happy for a peaceful resolution of the situation,

gleefully declared the mission a failure. More significant, we have begun to see attacks on itself, with the intriguing suggestion that the blame for disease, starvation and genocide should be attached to those, particularly aid organizations who are trying to feed, feed and protect.

Following upon that logic, of course, the less we give to help the unfortunate, the greater contribution we make. What a conkering philosophy for those who don't want to help. Not only do you get to keep your dollars; you get to feel superior for doing so. The neo-con dream, in technical.

Those who espouse such views like to think of themselves as realistic and hard-headed, but a stunning naivete accompanies them. Witness the harmers espoused by government critics that "political motives" were behind the Christian rescue mission. Yes, political motives are what politicians have. And what is behind those political motives? The desire to be elected. And how do you get elected, or re-elected? By doing things people like.

Christian, in his Zairean odyssey, stands accused of trying to do something that people liked. That is the way the political system works in democracy. Politicians try to do things people will like. Is this cynical on behalf of the politicians? Well, for 125 years in this country it has got the job done. Recently politicians have tried to do things bankers like, and economists like, and the Fraser Institute likes. We will see how that works.

It may not, in fact, as it can be argued that liberal governments always do best when an election is near and the thought of trying to do something popular intrudes. Without a looming election to concentrate the mind, they become muddled and blunder into things like trying to cut the deficit.

That is only half-truthful. In the case at hand, defectiveness government all over the developed world has been willing back on development assistance to less fortunate countries, though such assistance could help forestall the Rwandan crisis of the future. In the meantime, the applause of the neo-con community goes out to the aid centers and only scorn greets the aid-givers.

That doesn't sound like us, does it?

In Christian's case, he said himself, in the face of what appeared to be an emergency. Certainly, no one at the time was disputing the fact that it was an emergency. He wanted to do something—anything—and many people applauded him for it. It was a human impulse. When the thing derided people began adding up the costs, to set a dollar figure on the amount "wasted." This too is part of the neo-con approach—to measure everything in terms of what it costs. As the years go on, these people can take more and more comfort in being able to count the money we are not spending. That spirit is not what made this country great.



# Opening Notes

Edited by BARBARA TICKENS

## Ready, set, run to the polls

Four things set the hearts of political junkies racing more than rumors of an election. And 1987 could be a pole-positioning year. Ottawa is about these days with talk of a June 1 federal election, which is the current thinking of Liberal strategists. In Alberta, pundits are predicting a spring provincial vote. Premier Robert Klein, they say, will call it soon after the next budget—expected on Feb. 20. Among the signs that a vote is imminent, both Tories are already setting up campaign headquarters for Klein in a Fairport. Consensus: Distributing outlets in a south Calgary mall. Although the office will officially open only when the election is called, supporters are meeting in droves and otherwise getting the place up and running.



McKeown had enough?

## Gzowski apologizes to the boss

Last week, in a speech to the Canadian Club, *Maclean's* head Peter Gzowski apologized for a remark he made in the Nov. 18 issue of *Maclean's* about the head of the CBC.

I called Perrin Beatty, the president of the corporation. I was still an contractor, an unfortunate name. And in case the reporter remark'd, I took the trouble to spell out "SON of a Bitch." This was not a career enhancing move, even if you're naming the end, and I am now, as I write to the

president not long ago, sorry I made it. What triggered it was the matter of my retirement. I had begun to feel shamed about it. It was as if the powers that had bid said, "OK, Gzowski's done, now we can do something dramatic: everything he's been part of." The president called me in home, announced himself with "It's the son of a bitch remark," and proceeded to engage me in a frank, open and, I think, friendly discussion of the corporate and my own feelings of frustration and anger. So, sorry, Perrin, next time I'll be my tongue.

WORD FOR WORD

## When Hull closes down

With their 3 a.m. closing time, bars in Hull, Que., have long been a popular destination for teenagers from nearby Ottawa, where last call is an hour earlier. But that may soon change. In an effort to close up a downtown bar strip before the city's early-morning rowdiness, Hull council will vote on Feb. 17 on a proposal to close all the city's watering holes at 2 a.m., one hour earlier than the rest of Quebec. "People can cross over to Hull very easily, and when they do, they're often intoxicated," says councillor Claude Boivin. He adds that about 70 per cent of the people arrested on the strip are from Ottawa, and that policing the area would cost the city \$50,000 over the past decade. Predictably, many bar owners are opposed to the proposal. "It doesn't make any sense," says Lucien Gauthier, who estimates his bar-restaurant would lose \$2,000 a night. He estimates that the problems on the strip are no worse than anywhere else, and that if the proposal goes through, Ottawans will head to adjacent Gatineau, where bars will still close at 3 a.m. Adds Gauthier: "I see people from Hull will go to Gatineau."

Klein: setting up headquarters

By May, Nova Scotia's Liberals will be entering their fifth year in office, and if tradition holds, Premier John Savage will call a summer election. In New Brunswick, meanwhile, the question is not so much when to hold it. Premier Frank McKenna, who has lost popularity that 30 years in office is enough for any politician, will mark his 10th anniversary in power this September. But McKenna, who is in the early stages of his third term, recently surprised reporters by publicly saying for the first time about seeking a fourth. In any event, he has said that he plans to decide his political future before year's end. One factor that could influence McKenna is his party's entry into a premiership in New Brunswick since 1985 has eventually been denied in office. McKenna could set a precedent and leave before the electorate makes the decision for him.

## Mauled by bankruptcy

Troy James Hartman's dream—to provide a gritty, realistic view of the world—ended on the same day. The North Bay, Ont., junkyard operator spent nearly \$150,000 developing a sitcom set that would show him to safety study the business close range. *Hartman's* 31, gained national attention last year when his comic trio quest was depicted in the popular National Film Board documentary *Project Grumpy*. It showed him wearing the suit so he was surrounded by howl-bait bats, run down by a truck and tossed down a hill. Now the self-willed, low-behavioral specialist may never get a chance to confront a grumpy because the high cost of creating the set, dubbed *The Unsub Mark VII*, has forced him into bankruptcy. His body armor will go to the highest bidder. Said Hartman, who is hurt that people often laughed at his plan: "I've lost everything."



Eventual: the clown plays an

## A carnival coup

The queen is dead! Long live Bonhomie! After missing for 42 years the queen and dressmaker of the Quebec City Winter Carnival will be noticeably absent when the 17-day snow festival kicks off this week in the Quebec capital. But neither longtime fixture, the polka snowsuits called Bonhomies, will continue to ring with the crowds. Organizers decided to do without the queens, whose duties included presiding over a ball idea viewed as elitist, after a poll showed that most area residents, particularly those aged 20 to 45, wanted to see dance classes in the carnival. As a result, this year's festival—expected to attract about one million visitors—will include dance dance activities, such as tag-team and snowboarding on the Plains of Abraham. "We've changed our concept to a festival based on fun and family," says director of marketing Gabriel Frenay. In addition, a new, improved costume parade that Bonhomies will—finally—be able to move his head.

## Billions on brand names

The drive on the following list alone would not exactly comprise a healthy diet. But according to the most recent A.C. Nielsen MarketTrack, they were the biggest selling brand-name foods in Canadian grocery stores in 1986. The top 10:

BRAND	(in millions)
1. Pepsi-Cola	\$292.1
2. Coca-Cola	\$291.8
3. Campbell's soups	\$231.3
4. Tide laundry detergent	\$137.3
5. Topcama chilled juices	\$125.3



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## Dissing demography

Toronto pollster Michael Gidycz taken aim at the country's high-tech science of demography, arguing that, despite claims to the contrary, it is not doing it. Instead, in *See in the Snow*, Canadian Social Values at the End of the Millennium, Adams writes that broader analysis is needed to understand the remarkable diversity of Canadians.



Grocery shopping in Toronto: the top 10

6. Chialia cookies	\$121.6
7. Kraft cheese slices	\$109.1
8. Chialia crackers	\$106.8
9. Minute Maid frozen juices and drinks	\$94.6
10. Kraft cheddar	\$91.3

# Passages

**DIED:** Bookstore chain founder Jack Cole 76, whose study lists were the salvation of students and the bane of teachers in a Toronto hospital. With his brother, Carl Cole built Books Inc. one of the world's biggest bookstores chains before selling it in 1978. It later merged with Sunco Books to form the Chapters chain. The brothers' yellow and black striped Coles Water guides to subjects ranging from Shakespeare to genetics, are sold in 73 countries.

**DIED:** Former star extra-actor Carl Paul 59, who cleared the way for the last agent system of the film industry in Los Angeles after the '60s. Los Angeles Times film critic in 1969, Paul championed black actors' careers and led the way to the U.S. Supreme Court. The court ruled against Flood in 1972, but in 1975 an arbitrator granted his agency to other players, in effect ending the reserve system.

**DIED:** Gen. Tom Parker, 87, a small-time carded writer who became *Elvis Presley's* manager in 1955, and helped launch the one international starlet which ended the singer died in 1973, from complications of a stroke, in Las Vegas.

**DIED:** Brian Erva Massey 78, who served as official Red Bull Hall promoter from 1952 to 1959, when his wife's husband, John Massey, was a power general, after a lengthy illness in an Ottawa hospital.

**AWARDED:** The Canada Council's Milton Prize for the Arts, one of two \$50,000 awards given each year to a distinguished Canadian: to novel *St. Martin's* Galt, 74, at a special opening ceremony at the renovated Canadian Cultural Centre in Paris.

**DIED:** Irvin Callen 58, who co-edited *The Yellow Ribbon* about the G.I. Bill. One of the most recorded songs in history, in Livingston, N.J.

**DIED:** Arthur Page Wadsworth 85, chair-mann and chief executive officer of the Canadian Imperial Bank of Commerce from 1973 to 1976, in a Toronto hospital.

**SENTENCED:** Peter Galt, father of James Earl Ray, to prison for three years and nine months for evading \$7 million in taxes, by a judge in Mannheim, Germany.

■ **Mills: I don't really hold out any hope of a break**



# Steady as she goes

BY MARY JANIGAN

**S**ir, Greg Mills, this is your chance to play finance minister. The federal deficit is going down faster than expected, what should Ottawa do with the unexpected windfall? Mills, 38, is torn between options, his post-up frustration with politicians seeping into each selection. "The deficit down further," he says first. "Keep going, boys. As long as we are in debt, we are in trouble." Then, Mills, the technical representative for a Chester, N.S., firm that makes plastic processing machinery, remembers his own tax tale. "No, in second thought, being a very tight person, give it back to me," he asserts. "Everything has gone up. Governments are inefficient—we are getting ripped off," he explains that he and his wife, Karen, have shopped each other carefully since the arrival of their 13-month-old son, John Peter. They watch for sales. They migrate towards stores that offer to pay the Goods and Services Tax themselves. Despite Mills' business, their taxes always seem to grow faster than their income. "At the very least, there should be no tax increases,"

Mills finally declares. "I don't really hold out any hope of a break." Such acceptance is perhaps the most feasible emotion that Finance Minister Paul Martin can hope to evoke as he prepares his forthcoming low-key, hold-the-line budget. Martin's tax torments that there will be no new spending cuts—although previously announced cuts continue: until March 31, 1999—and no new tax levies. But contrary to the advice of some economists and some of his own Liberal colleagues, Martin will not institute either across-the-board tax cuts or lavish spending programs. The budget's tax levies will be modest, phased in over several years and targeted at specific groups such as unemployed children or parents saving for their children's education. Martin told *Maclean's* that he does not want to offer generous income tax cuts until the deficit is conquered. If he is too generous before then, he notes, nervous financial markets might decide that he had abandoned his crusade against the deficit—and shy away from Canada. That would force the Bank of Canada to raise interest rates to attract foreign lenders. "We will be reducing taxes—let there be no doubt about that," he said. "But when you do a tax cut, you want it to be permanent. We

have a huge responsibility to make sure that low interest rates stay low. We can't jeopardize that by bringing in some load of premature tax cut."

Martin's steady, and realistic, approach evokes decidedly mixed reactions among Liberals. They are anxious to pressure the finance minister to change his budget, which is expected in late February or early March. But Martin has learned that party strategists are debating whether they should raise the prospect of future across-the-board income tax cuts during the next federal election, which Liberal opponents have tentatively scheduled for early June. After all, income drops about a third every year. But Martin will likely exceed this year's deficit target—which was \$24.3 billion—by about \$5 billion. In the coming 1997-1998 fiscal year, facing a catastrophe, those officials believe that the deficit will probably come in at least \$3 billion below Martin's long-standing \$47-billion goal.

If the government keeps to that track, the deficit indeed is likely to disappear in the 1999-2000 budget year. After 27 years of continuous deficits, that is good news—but it does not quite

match the political thrill of a shock. Liberal polls show that 70 per cent of Canadians want lower taxes. Still, three-quarters of those also acknowledge that the government cannot afford such a measure. Such sentiments present the Liberals with daunting choices, at a time when Environics Research Group Ltd. reports that their popular support has slipped to 47 per cent from 50 per cent last October. Battered by that erosion, and unnerved by the fact that both the Reform party and the Conservatives have promised tax breaks, they do not want to appear the complacent accomplices of politicians' obliviousness to the voters' pain. But break promises could damage their reputation for economic competence—and remove the key difference between them and the opposition. "The question is, does our commitment to deficit reduction look weak if we offer tax breaks?" asks a senior Liberal adviser. "Or, if we do, are we simply shodding that we will be a payoff after the party? The party is not in on this one."

PHOTOGRAPH BY GUY LAWRENCE

While the strategists agonize, Martin is creating a restrained budget that weathers, then, an increased severity in income and health through every initiative. Finance officials reason that the federal government cannot create jobs for Canada's 1.1 million unemployed—or guarantee the jobs of the country's 1.7 million workers. Instead, Ottawa's scarce resources will be aimed at social needs. The budget's overall goal will be an increase in the Child Tax Benefit in 1996-1997, deficits with incomes of less than \$24,000, reduced to a net credit of \$1,000 per child—at an estimated cost of \$5 billion. Ottawa will double that amount in 1997-1998—and specify further increases over future years. If negotiations with the provinces are successful, the budget may also announce a so-called National Child Benefit, which would combine the enlarged federal credit with the provinces' diverse, and possibly collapsed, payments to poor children. As Mar to add Martin's "By God, we can do a helluva lot better than now. If we don't, we are going to pay a huge price."

In addition, for the first time, the budget will likely feature an increase in the current \$2,000 annual limit on Registered Education Savings

Plans. Ottawa may also raise the \$42,000 life-time limit on those contributions. The current tax credit of \$900 per month that taxpayers can apply against the cost of their education or retraining will almost certainly increase—to encourage more Canadians to update many skills. The federal government will devote more funds to youth in training programs. Ottawa is also likely to scratch together the funds to maintain the Network of Centres of Excellence, a program that unites universities and companies in research ventures.

Such limited measures are certain to dash the hopes of those who believe that the economy will soar faster without bigger tax breaks or greater government spending. But Martin insists that low interest rates will pay off soon. Over the next two years, the prime bank of Canada rate has plummeted eight times, to 3.25 per cent from 8.25. As consumers renegotiate their mortgages and loans, their lowered payments should tuck an extra \$4 billion to \$5 billion into their pockets—with some of that money finding its way back into the economy. If, however, Ottawa lapses into its old-style spending habits, Finance officials argue that interest rates will skyrocket.

In fact, Finance officials are particularly worried that some market analysts and Liberal supporters have seriously underestimated the extent of the government's progress against the deficit—and are making dangerous demands on the treasury. "There are people in the Liberal party who think we have to have some things to go to the polls with," argues a senior Liberal aide. "But one of the reasons that people have supported large cuts is that they believed we were going to fix this problem, create real jobs. If we are not successful, they don't want to hear about the deficit."

Such reasoning cannot quell the economic and political debate about big spending or big tax cuts—because unemployment remains stubbornly high, at 11.9 per cent. But Martin has renewed intense pressure for cuts in Employment Insurance premiums—viewed by many as a vital prerequisite for job creation. On Jan. 1, those premiums declined from \$9.95 per \$100 of insurable income to \$9.40. Some business groups cherished the little hope that Martin would announce further EI premium reductions, he promised July 1, in his budget. It only because the surplus in EI Fund hit \$5.6 billion on Dec. 30. "That [event] cut in EI premiums was a token," argues Conference Board, president of the Canadian Federation of Independent Business. "We find a reduction in the order of 25 cents to 50 cents was feasible. The job side of the economy needs a positive kick in the pants."

In the longer term, what the Liberals promise during an election campaign depends on such factors as the unemployment rate in mid-winter, Martin's attitude—and the business cycle. But that patience appears to be holding. High taxes infuriate Doug Laughton, the president of an appliance parts distributor in Cogswell, B.C. Although his firm, Reliable Parts Ltd., has seven thriving outlets in Canada and 14 in the United States, all of his 1997 expansion will be south of the border—largely because the taxes are lower. But when he is asked what Martin should do, Laughton is adamant. "I've done the math," he says. "It's the biggest single no-no that they are looking for money to grab in the first place." The upcoming campaign could hinge on such advice. □

## The next federal budget will offer little tax relief



■ **Martin: "A huge responsibility to make sure low interest rates stay low"**

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# Still riding high

Optimism reigns at the Liberals' caucus meeting

Sometimes in politics, getting there is not half the fun. Consider the case of Prime Minister Jean Chrétien. On Monday alone, he left Thailand at the end of a two-week long Trans Canada trip to Asia, and flew for 12 hours and he charter aircraft reached Vancouver. After passing just long enough to unload other passengers, inform the media, change clothes, the plane took off again. Twelve hours later, Chrétien landed in Paris, where, because of the time difference, it was late Tuesday afternoon. Beginning at 7 a.m. the following morning, he began his roller coaster launch into two days of criticism and meetings that ended at midnight. On Friday morning at 8 a.m. in France and 2 a.m. central Canadian time, he boarded his charter aircraft again and flew for seven hours—to Quebec City—the start of a two-day meeting of the Liberal caucus.

Advance notice had the Liberals restless, anxious, excited and concerned about issues ranging from the Prime Minister's own personal loss to the government's policies and spending plans. Also under scrutiny was the party's recent—often slight—slump in the polls as well as what will almost certainly be an election year. By that point, Chrétien was "showing no signs of fatigue," conceded one aide. But a busy day happened on the way to the political future: attack of the unexpected. Critics did not happen—or took place at lower volume. And with a few exceptions, the caucus provided a show of solidarity and celebration of the Liberals' still-strong standing in the polls.

Perhaps more to the point, there was a public expression of support for Finance Minister Paul Martin's plans to stay the course on deficit reduction. His next budget—expected late this month or in early March—even as he appears to be billions of dollars ahead of his own targets. "The faster we get our finances in shape, the better off we will ultimately be," said B.C. MP Raymond Chan, secretary of state for Asia. In fact, insisted Martin, "I have never felt any pressure to do either side."—an assertion he made despite public calls from some MPs to

either cut taxes or pump more money into job creation and infrastructure programs.

Many MPs freely concede that they have faced a barrage of criticism from their constituents during their six-week Christmas recess. Now, with the House set to resume on Feb. 3, they say certain issues need to be addressed. Among them: Chrétien's handling of the campaign promise to scrap the Goods and Services Tax, an unemployment



Colleagues: a show of solidarity, especially for Paul Martin

surge that continues to hover at about 10 per cent, and ethical questions surrounding the government's conduct in the so-called Arabes affair. "In my opinion," acknowledged Chan, "there is a lot of a sense that we have lost our focus and we need to regain it."

But the red debate among Liberals has revolved, paradoxically, around deficit reduction—seen by many as the government's greatest achievement. Two weeks ago, former defence minister David Collette, a longtime Chrétien ally, expressed concern that "we have strayed too far from our traditional principles"—warning, specifically, a willingness to spend more on social programs. That call was echoed by other MPs. "We have some room to manoeuvre on the deficit," and Patrick Gagnon, whose Gagné-arenas riding continues to have one of the country's highest unemployment rates. "I do not help people who need it, what kind of Liberals are we?"

One possible answer is pragmatic. De-

spite their disagreements over Martin's single-minded enthusiasm for deficit reduction, few Liberals will directly criticize the man who is the party's most popular minister after Chrétien. Collette, for one, vigorously rejected suggestions that his constituents represented any second-guessing of Martin. "If I say that I am for traditional Liberal values, it should be seen as something positive, not negative," he insisted. Gagnon, who was recently courted openly by the Tories, added: "One of the things about being a Liberal is that you can disagree on some issues, but still agree on the greater good."

One of the reasons that discontent remains muted is a series of polls showing that the Liberals, more than three years into their mandate, are trusted but far from blooded. Party pollster Michael Marston told the caucus that, if present trends hold, the party could win an even greater majority of seats than the 377 out of 295 it took in 1993. That finding is similar to a projection done last week by *The Globe and Mail*. On the basis of an Environics Research Group Ltd. poll showing the Liberals with the support of 35 per cent of the electorate—41 per cent among defined voters, compared with 34 per cent for the second-place Tories—the *Globe* reported that the party could win 219 seats in the newly expanded 381-member House of Commons.

Finally, some Liberals concede concern over the fact that, for the first time since the decline, Chrétien is less popular than his partner. (The Environics poll reported that his support has dropped to 33 per cent from 38 in October.) That, said one minister, raises "the danger that people are now more willing to look at alternatives." In particular, the Conservatives, who have been steadily gaining popularity in the past three months, are an increasing worry. But sentiment in favour of a June election, which had decreased as a result of the recent controversies, is again on the rise. Election co-chairman David Smith, one of the party's most important strategists, attended the meeting. And another big player, Montreal businessman and Chrétien aide John Rie, has been spending a day in Ottawa on election preparation.

Enthusiasm for an early vote was also evident among almost two dozen Liberals, including Smith and several cabinet ministers, who met for a long, upshot private dinner at a Quebec City Italian restaurant on the eve of the caucus meeting. "Within another couple of months," and one Chrétien adviser, "we will be in full red mode. What other party can say that?" Still, cautioned another optimist, the recent dip in the polls is hard to ignore. "Before we worry about the other parties," he said, "we should start by worrying about ourselves." More than anything else, another adviser conceded, "how the budget is received by Canadians will determine how the election will be fought—and how won."

ANTHONY WILSON-SMITH is in Quebec City.

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MacDonald (left); Murray (right) were

a bungled police investigation. As far as handling over the videotapes, he was steadily reassured that he was backed by lawyer-client confidentiality. And in any event, he said that Bernardo instructed him not to view the tapes—and only gave his permission two days after Homolka's plea bargain.

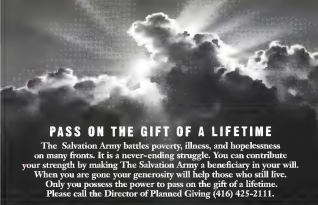
The allegations against Murray, who has also been charged with creating obscene material, in charge apparently related to copying the Bernardo videotapes, took up on an ill-defined area of Canadian jurisprudence. Alan Young, an associate professor at Osgoode Hall Law School in Toronto, says there are strict rules for protecting the confidentiality of whatever a lawyer and his client discuss. If, for example, a client tells his lawyer that he is a pedophile, the lawyer is obliged to keep that information to himself. On the other hand, he adds, lawyers have a responsibility to the court to make sure that any pertinent physical evidence—such as a murder weapon or, in this case, the videotapes—is handed over to investigators. Adds Young, "It's actually not an especially difficult question of what to do when a client hands over physical evidence."

Still, a lawyer has a duty not only to the court but also to the client. And in Murray's case, much depends on what his intent was in withholding the tapes: whether it was to hide evidence that would damage his client, or to hang on to evidence that he could use in his client's defence—in this case, to counter Homolka's testimony against Bernardo. "Murray may have breached an ethical obligation and his act did obstruct a police investigation," Young adds. "But that's still not enough to prove that this is a criminal offence."

Whatever the outcome of the case, which goes to court in February, many lawyers last week saw the charges against Murray and MacDonald as testimony to an assault on their profession. To some, the pornography charges in particular were questionable—or, at worst, vindictive. As one lawyer said of Murray, "Somebody is out to get him." Still others worried that any conviction could

ignite the trust between lawyer and client. "That is what we are for," said Toronto lawyer Henry Swenden. "You're charged with an offence, you go before a lawyer and you expect him or her to defend you—not turn you in." Another veteran defence lawyer, who spoke on condition of anonymity, put it more bluntly: "If there's a conviction here," he said, "we're all in deep trouble."

JOE CHIDLEY with  
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## CANADA

# Lawyers on trial

The Bernardo tapes spark an ethical debate

**T**he videotapes were shown only to the jury, but the sound track alone was enough to make even seasoned court veterans cringe. Gruesome evidence in the 1995 criminal proceedings against Paul Bernardo, they depicted the cigarette smuggler and would-be rap star sexually assaulting southern Ontario teenagers Leslie Mahaffy and Kristen French—with the aid of his then-wife, Karla Homolka. Last week, the grisly videotapes re-emerged into the media spotlight. Ontario Provincial Police had charges against two former Bernardo lawyers for withholding the tapes for 16 months before handing them over to prosecutors. The charges—for obstructing justice and possession of child pornography—sent shock waves through the legal community. And even with Bernardo, now 32, serving a life sentence with no hope of parole for the murders of Mahaffy and French, and Homolka, 36, into the fourth year of a 12-year manslaughter conviction, echoes of the gruesome recordings re-sounded once again.

The allegations against Ken Murray, 48, and Carolyn MacDonald, 35, arise from perhaps the most controversial aspect of the Bernardo case—and raise troubling questions about the extent and sanctity of lawyer-client privilege. In May, 1992, Murray and his assistant MacDonald, acting on instructions from Bernardo, reviewed six eight-

millimetre tapes from his client's home in St. Catharines—evidence that a 71-day search of the gritty pink burglar law had failed to find. Then, Murray held on to the tapes until he quit as Bernardo's lawyer in September, 1994, when he gave them to his successor, John Rosen, who in turn handed them over to prosecutors. The delay not only hindered the investigation of Bernardo, but gave Homolka a chance to conclude her seemingly lenient plea bargain—even though the tapes depicted her more as a willing participant than an unwilling victim. A 1996 provincial inquiry concluded that Crown prosecutors would never have agreed to the Homolka plea bargain if they had been in possession of the videotapes.

To the families of Bernardo's victims, the charges against the two lawyers were long overdue. "I haven't got much to say," said Kristen's father, Doug French, "other than we're pleased that they've finally been charged for what they've done." Murray's counsel, Anita Cooper, declined to comment on the case, beyond saying that his client will plead not guilty. But Murray has previously charged that the police focus on him was an attempt to find a scapegoat for Homolka's questionable plea bargain—"a deal with the devil," he called it—and for



Bernardo's guesser



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## CANADA

# A mother's agony

**AIDS has not stopped Janet Conners' fight**

Sitting comfortably in a rocking chair is the last memory of her Dartmouth, N.S., home. Janet Conners doesn't think, at first, like someone who is dying. She speaks loudly, always keeping close eye contact with her mother. But as the conversation stretches, Conners begins to fade visibly. The coughing becomes more frequent and at times chokes off her words. It is only 10 a.m., but soon she will be back in bed, where she now spends much of her days, drained of energy by the AIDS that she feels certain will soon end her life. Conners has already seen the future: her husband, Randy, was a hemophiliac who contracted AIDS through a blood transfusion in 1986 and, unwittingly, passed on the virus to his wife. He died in 1994 at the age of 38. Conners is now 41, and when she thinks about what she might wish—seeing her teenage son married, playing with grandchildren—there is, she says, “an overwhelming sense that I really let myself feel it, I would smash everything in this house. So I don't let myself feel it—I've become very good at that.”

She has also become very good at characterizing anger into political action. After relentless lobbying by Conners and her late husband, the Nova Scotia government agreed in 1993 to financially compensate hemophiliacs infected with the HIV virus from tainted blood products—a precedent that was eventually followed by other provincial governments. Conners remains an outspoken critic of the Red Cross and its repeated attempts to limit the scope of the federal inquiry into the tainted blood scandal. But as her energies sag—and her cynicism about government grows—it becomes increasingly hard to keep up the battle. “What's the big surprise?” was her immediate reaction to last week's revelation that federal health officials had destroyed the original transcripts and tapes of the Canadian Blood Committee, which oversee the blood system during the years that thousands of Canadians were infected with the AIDS virus or hepatitis C. “Nobody has taken any accountability through any of this,” she then adds, almost apologetically. “I didn't use to be such a cynic. It used to be in government, but it doesn't even make me sad any more.”

Conners could be forgiven if she has more immediate concerns on her mind. Over the past two months, she has added a new drug to the long list of medications that she takes daily. It is a protease inhibitor, widely touted by some as a breakthrough in extending the

lives of AIDS patients. But the side effects have proved devastating: she has developed liver, a swollen throat and a rash on her torso and her tongue and sometimes spreads to her entire face. Other problems include weight loss and frequent nausea. “There are days when the thought of cooking, or even eating, is just revolting,” she says.

Through it all, Conners tries to maintain as normal a home life as possible for her only child, Gus, 16. But it isn't easy. “Nobody has written a book yet on how to raise your kid while both parents are dying,” she notes. She finds herself engaging in serious discussions she might not normally have with a teenage—about relationships, honesty and justice and fairness. It is heavy stuff, but she adds that “he's not going to have a lifetime of learning by example. I feel like I'm trying to cram in a lot



Conners: an outspoken critic of the Red Cross

of mothering in the time I have left.” Despite her declining energies, Conners hopes to remain active in correcting old truths behind the blood scandal. She has watched too many other victims die to stop now. “For me,” she says, “continuing on and doing the work is the way I mourn for these people.”

BRIAN BERGMAN in Dartmouth

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# Young and dangerous

BY DALE BIESLER

For 21 years, Sister Lesley Secomann has been walking the same one-block stretch in north-central Winnipeg. The daily trek down Ross Avenue, from her home to Rosbrock House—a refuge for street kids she helped establish in 1976—has given the Roman Catholic nun an unfading view of a neighborhood in social decay. The once vibrant, blue-collar residential area is now scarred by neglected and, in some cases, graffiti-covered houses. Sometimes at night, she is startled by the sound of gunshots or the ruckus of fights between street gangs. "In the last four years, things have really changed rapidly," says the soft-spoken Secomann. "There's a climate of fear that wasn't there before."

Streets of fear have become common in the Manitoba capital. In recent years, a growing number of street gangs, made up mostly of disillusioned and disadvantaged young natives, have staked out their turf in an escalating struggle to control criminal activity in their territory. With names like the Marabutas Warriors and Indian Posse, they have become a source of growing concern. Small wonder. With an estimated 600 youths involved in the loosely organized gangs, there is nothing subtle about their tactics. Assault, armed robbery, drive-by shootings, prostitution and murder are all part of the gang-related violence that is making parts of north-central Winnipeg seem more like the streets of East Los Angeles. "In this economy it's more and more difficult for young people," says Wayne Helgeson, executive director of the Winnipeg Social Planning Council. "They don't see finding a decent job even if they get an education."

Sanderson: 'We have to give kids some alternative to the streets'



and so other forms of activity become their only choice."

At the root of the problem is the poverty that afflicts many of Winnipeg's estimated 65,000 native people—30 per cent of the city's population. Winnipeg, in fact, has the largest single concentration of natives in Canada. Lured to the city in the hopes of finding a job and a more secure life, many of those who migrate from the province's 62 reserves or 120 Métis communities find only hardship and unemployment. As a result, social and economic isolation has become deeply rooted in the native community. "People come thinking they will have a better life in the city, but they end up trapped," says Dave Chabot, spokesman for the Manitoba Métis Federation. "The facts are what's happened to their parents—and that's not any hope for themselves."

Gang activity is the most recent manifestation of that hopelessness. Since its 15-member gang unit was formed in the summer of 1995, Winnipeg police have made 440 gang-related arrests. Last year, among Winnipeg's 29 murders—up from 18 in 1996—the most grisly involved the torture and murder of three teens to whom police was gang-related retaliation. Ironically, the increase in gang activity comes at a time when the overall crime rate is actually falling in Winnipeg, as it has been across Canada in recent years. But in a series of public forums staged this month by police Chief David Cusack, the overwhelming concern voiced by Winnipeggers was fear of crime—and particularly of gangs. "There's no doubt the problem here is beyond anything you'll see elsewhere in Canada," says a University of Winnipeg sociologist Doug Skogg.

That might change—and not for the better. There is evidence that Winnipeg gangs have attempted to expand into other Prairie cities with large native populations. In Regina, there were 71 gang-related arrests in 1996. Saskatoon police say they have identified attempts by Winnipeg gangs to recruit members in the city. Police in both cities have established hit squads, going units, hoping to contain the problem before it reaches Winnipeg levels. There were also early signs of gang activity in Edmonton last fall, but police say the problem was solved by the arrest of a few key figures late last year. Edmonton's gang unit now operates with only one of four co-ordinating members.

Although as many as seven zones are thought to be operating in Winnipeg, the landscape is dominated by the Warriors and Indian Posse. Besides gangs, with names like the Deuce, East Side Crips and Nine-6, are thought to be linked to the two bigger gangs. Life isn't tough, they become training grounds for kids, some as young as 10, who aspire to join the gangster leagues. But police say that thanks to a tough, anti-intimidation approach, coupled with more first-aid and sunblock, the situation is well in hand. "The gang thing has pretty much leveled off and we have a good handle on it," says Insp. Al Brady, who heads the Winnipeg police gang unit. Police officers, however, are uncomfortable with the media attention gangs receive because it tends to give them a certain stature.



Secomann: Nighttime gunshots and a 'climate of fear'

In fact, while many involved in gang activities have been sent to prison, gang members themselves say the flow of new recruits more than replenishes their membership. "We grow by the day—and it will never stop," one member of the Indian Posse told Macdon's. Giving the name as Erenny Ward, he proudly displayed the tattoos etched on his hands, including one that reads: "Bleeded by blood." Then he added up his sleeve to show an Indian Posse tattoo on his bicep, a clenched fist holding a pistol. That insignia, he said, is reserved for only the highest members of the Posse. His eyes hidden by sunglasses, he said that gang life is about belonging. "The gang is very family," he declared. "It always will be. I can no more leave the gang than you can leave your family."

As a social worker for Winnipeg's Child and Family Services, Rose O'Connor knows many gang members and has come to an-

derstand the psychology that makes the street gangs so popular among young natives. It comes down to a search for self-worth, she says, for all their antisocial and criminal behavior, gangs offer positive feedback to their members. "The message they get from the gangs is that they're OK the way they are," says O'Connor. Crown attorney Cathy Everett, who has prosecuted many young offenders involved in gang activity, says that the gang replaces the family in one case, she recalls, a 25-year-old gang member charged with a drive-by shooting accident when he was threatened with the prospect of being hurt. "That's OK, my gang is there," the teenager told police. "They'll take care of me." Everett calls gang activity an "overwhelming problem" that the justice system cannot solve. "By the time people end up in court," she says, "the situation is pretty well entrenched."

David Newsum, Manitoba's recently appointed minister of native affairs, says he is determined to find ways to reduce gang activity—and open doors for natives. A Winnipeg MLA in a Conservative caucus dominated by rural members, Newsum says the time has come to focus on the issue of poverty among urban natives. He is calling for a co-ordinated approach between all levels of government, community groups and business. Such measures are long overdue, says Nelson Sanderson, president of the Winnipeg Indian and Métis Friendship Centre. In fact, he notes, five years ago the Tories actually cut three slices of financial support for the centre, by 85 per cent, leaving staff scrambling to find private donors ever since. "I see the gang issue as a very grave problem," Sanderson says. "We have to give kids some alternative to the streets."

Native leaders are certainly paying attention to the issue. Last November, Sanderson helped organize an all-gang youth justice symposium, attended by 400 young people, that called for increased educational and job opportunities for natives. And, this April, Manitoba's attorney general, David Harper, and five Manitoba native organizations are planning a conference they hope will attract 1,500 people, including gang members. The goal: finding meaningful alternatives for disaffected and marginalized aboriginal kids who often come from broken homes and have few opportunities. "This will not be our conference," Harper says. "The youth will organize it with our backing. We want to work with them on a vision for our future—and what part they see themselves taking."

Meanwhile, the terror on the streets of north-central Winnipeg continues. One side hasn't been as aggressive as the Rosbrock House's. There, Sister Lesley Secomann says, the kids go for love, not for fear. Secomann, who has lived in Rosbrock House for 21 years, is among the regulars at Rosbrock House, like many other kids in the neighborhood, they work part-time at the centre. "Rosbrock has given me confidence that I can keep a job," says Richard, who first visited the centre five years ago. Warren, 18, and Richard, 17, are among the regulars at Rosbrock House, like many other kids in the neighborhood, they work part-time at the centre. "Rosbrock has given me confidence that I can keep a job," says Richard, who first visited the centre five years ago. Warren, 18, and Richard, 17, are among the regulars at Rosbrock House, like many other kids in the neighborhood, they work part-time at the centre. "Rosbrock has given me confidence that I can keep a job," says Richard, who first visited the centre five years ago.



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## Canada NOTES

### COMPENSATING MORIN

Gay Paul Mann, who was wrongfully convicted of the 1984 sex slaying of his nine-year-old Queenville, Ont., neighbor Christine Jensen, received \$765,000 in compensation from the Ontario government, while his parents received another \$668,000. Mann's first trial, in 1986, ended in an acquittal, but the Crown appealed, resulting in his 1992 conviction. Mann was finally cleared in 1995 as a result of DNA testing. The province has launched an inquiry into the case.

### OLSON GETS HIS DAY

Mass murderer Clifford Olson, 55, was granted a preliminary hearing before the B.C. Supreme Court in his bid for early parole. The hearing, granted under the Criminal Code's controversial "sua sponte" clause, is scheduled for March 31. Legislation preventing future multiple murderers from applying for early release took effect last month—but it will not apply to Olson. He was sentenced in 1981 to life in prison with no parole for 26 years for the murders of 11 children.

### A MAYOR'S PROBLEMS

Montreal Mayor Pierre Bourque's troubles continued to mount. Although a report by Quebec's chief electoral officer Pierre-L. Côté said there was no proof that Bourque was personally implicated in financial wrongdoing, several new charges were laid against his Vision Montreal party for contravening the electoral financing laws. That brings to 212 the number of charges facing Bourque's party. As well, two Vision Montreal councillors quit last week, bringing to four the number who have left over the issue of Bourque's leadership. Vision Montreal still controls 36 of the 52 seats in the Montreal city council.

### NO APPEAL

The Crown announced that it will not appeal a Dec. 23 ruling striking down a charge of attempted murder against Brenda Drummond, a Carleton Place, Ont., woman who shot her unborn fetus with a pellet gun. Brenda Crumley, a spokeswoman for the provincial attorney general's office, said, "the Criminal Code in its present form doesn't cover this unprecedented and dangerous conduct." Drummond still faces a charge of criminal negligence.

## The scandal escalates

It was already the largest political scandal in Saskatchewan history—and last week it got a little larger. The RCMP announced that six more people associated with the former Tory government of premier Grant Devine have been ordered to appear in court on Feb. 24 to face fraud-related charges. The scandal revolves around a scheme, hatched by some members of Devine's caucus and party officials, that defrauded the government of almost \$1 million from 1986 to 1994 through a system of phony expense claims. Thirteen people have already been charged. Of those, seven—six former MLAs and one caucus worker—have been convicted and three acquitted, while three cases are still before the courts.

Among those now facing charges are Senator Eric Beitzel, a former deputy attorney general. As a result, Beitzel resigned from the federal Conservative caucus and as the party's deputy leader in the Senate. But he retained his Senate seat—and his lawyer told reporters that his client is innocent. Also charged are Bevina Martin, former Saskatchewan minister for the family and trans-



Devine: a Tory senator resigns from his caucus

port responsible for seniors, and Donald Pringle, Devine's former principal secretary. Last week, Martin could not be reached by reporters, while Pringle refused to comment. The RCMP maintains that most others may still be charged. "There is the possibility," said Cpl Doug Hault. "The commercial chair section has not fully completed the investigation—there are still matters that they have to clear up."

### PROBES

## Shame on Ontario

It was an embarrassing rebuke, rarely seen in Canadian politics. Conservative Senator Owen Stewart told that Ontario's Tory government was in contempt of the legislature for publishing a misleading pamphlet. Distributed to *Metropolitan* Toronto households last December, the pamphlet left the false impression that legislation to immunize sex-local governments into one municipality had already been adopted. Municipal Affairs Minister Ian Leach, caught off guard, apologized. Stewart also accused the Tories for using "propaganda" in a self-promoting television campaign. "I feel that it's wrong for a government to attempt to influence public opinion through advertisements that in part are with public funds—which I might add, had not been available to the opposition—regardless of how close it is to the house," Stewart said. The province is spending \$8 million on television this year.

## Man with a new mission

He is a high-profile former Canadian Forces lieutenant who has been courted by political parties at all stripes. Last week, retired major-general Lewis MacKenzie took the plunge, announcing that he will seek the Progressive Conservative nomination in the Central Ontario riding of Perry Sound/Middlesex. As one of Canada's best-known and respected soldiers, MacKenzie gives a much-needed boost to Tory leader Jean Charest's cross-country quest to regain on the party's two House of Commons seats. "I've been a critic of the process and some of the people within the political process since I retired," MacKenzie said. "It gives it new life to get up and start to become constructive, no responsibility to go with it."

The 56-year-old MacKenzie, born in Truro, N.S., and now living in Beecroft, Ont., had been courted by Reformers, Liberals and Tories since he retired from the army in 1983. He gained widespread public status while heading the UN protection force in Yugoslavia in 1992 and is now one of Canada's most sought-after public speakers. His nomination hearing is scheduled for April in a riding long known as a Conservative stronghold, although Liberal Andy Mitchell currently holds the seat. While the Conservatives plan to field candidates in all 381 federal ridings, only 37 have been chosen so far for an election expected this year.



COVER

## FAREWELL Britannia

Hong Kong Island looking towards Kowloon; making a call (month-long double)

## Hong Kong faces an identity crisis as its handover China looms

BY CHRIS WOOD and LILLIAN SO

The official residence of the governor of Hong Kong is a two-story villa hidden behind low-rise buildings and unmarked walls spotted with understatedly wrought iron. On most days, two police officers stand guard at the ornate formal gateway. Five months from now, there will be little left for them to protect. Late on June 30, the current tenant, Chris Patten, will leave his home of the past five years. The Union Jack will fade down for the last time from its stately street in the final hour. The staff will turn out the lights.

At one second past midnight on July 1, a century and a half of British rule will end in Hong Kong, and the territory will revert to Chinese sovereignty. Exactly where and how power in the strange 400-square-mile city-state will then be in open to much speculation. But a good bet is an elegant chamber, a quarter-century away from the soon-to-be-seated governor's residence. The China Club is not ranked on any tourist map. Gleaming Rolls-Royces and Mercedes-Benzes deliver wealthy members discreetly to a private entrance at the side of the landmark old Bank of China building. A private elevator serving only the 12th floor carries them to a dining room where caged birds fill the air with rippling song, and light glasses are stacked from polished porcelain and silver chandeliers. Here, surrounded in the elegance of pre-revolutionary Shanghai, Hong Kong's leading politicians meet in well-protected



privacy to discuss business. And, increasingly, to decide how politics will be played in the territory.

How far these decisions reflect the wider interests of Hong Kong's 6.3 million residents, most of whom will never eat a meal with silver chopsticks, is another matter entirely. "China has a very strong desire to maintain the stability of Hong Kong," believes Albert Cheng, the host of a popular Hong Kong radio call-in show. "And the first thing they want to do is keep the rich people happy. Unfortunately, a lot of people in Hong Kong are not rich and don't agree with that. But we have no choice."

That much is certainly true. Neither London nor Beijing has ever asked the people of Hong Kong to vote on their political future. If they had, opinion polls suggest they would have chosen independence. But political self-determination is a value that has little resonance for China, a nation intent on controlling all lands it lays claim to from Taiwan to Tibet. There are other values that may look different in an Eastern light than when viewed from the West. Freedom of speech is one. Beijing has already set down sobering limits on what it will allow the media to publish after Hong Kong becomes a Special Administrative Region of China later this year. And civil liberties are another hot issue, newly selected SAR chief executive Tung Chee-hwa raised controversy by endorsing China's plans to repeal a series of British laws, including key parts of the territory's Bill of Rights.

Modeling celebrant trying to preserve a unique spirit



Modeling celebrant trying to preserve a unique spirit

The adjustment awaiting Hong Kong, in fact, is so much psychological as it is legal or political. Since its establishment as British possession in 1842, Hong Kong has prospered as an unashamedly mercantile place where useful ambiguities could be maintained for the sake of trade and diplomacy. Pledged by refugees from the decay of China and adventurers from the rest of the globe, it has seldom stopped making money long enough to give much thought to its own identity or culture. Now it must, as it seeks to preserve its uniquely creative economic spark in the same time as a rejoin China.

Under the principle, agreed to with Britain in 1984, of "one country, two systems," China is committed to protect Hong Kong's free-market economy for 50 years after 1997. Prosperity under British rule has brought Hong Kong billions of dollars in accumulated wealth and turned it into one of the most influential financial centres on earth. Currently, it provides 60 per cent of all new investment in China. Beijing and big business would both like to see that role maintained—and more. Most analysts believe that if Hong Kong's economy remains robust after July 1, it may be a model for the eventual reunification of China and Taiwan. Coming back the beleaguered island is the most cherished goal of Beijing's foreign policy.

For Canada, which has declared 1997 the "Year of Asia Pacific" and will host an annual gathering of the region's leaders in November in Vancouver, there are other reasons to watch closely in the months ahead. Hong Kong is Canada's 10th-ranking trading partner, contributing \$480 million to the country's trade surplus in 1995. Beyond that, the metropolis at the mouth of the Pearl River holds emotional ties for roughly 500,000 Canadians who have family roots there. Another estimated 110,000

Hong Kong residents carry Canadian passports. "Due to the size of our population here and the size of the Hong Kong population in Canada," says Canadian commissioner to Hong Kong Garrett Lam Bert, "China acknowledges the legitimacy of our interests."

But in world political and financial circles, there are nagging doubts. Will Beijing get it right? Does the Chinese leadership know what it is doing, attempting to manage a free market it barely understands? Must Beijing, through ineptitude rather than malice, kill off its golden goose?

The urgency of these doubts has heightened as preparations for Chinese rule have picked up pace in recent weeks. Shunning all criticism that its methods were authoritarian, a Beijing-appointed committee in December named Shanghai-born shipping magnate Tung, 58, to replace Patten as chief executive of Hong Kong on July 1. The same committee, heavily weighted with representatives of Hong Kong's business elite, interviewed 60 senior individuals to a provisional Legislative Council that will replace one elected under British rules in 1995. The new body, opposed by Patten, pointedly excludes several popular current legislators whose liberal views have long been anathema to Beijing.

The crew-out Tung has promised a stable transition, saying that he will keep most of the territory's existing senior civil servants. And his grandfather Hong Kong sound similar to those that Patten has self might espouse. Tung calls for "a stable, free democratic society with compassion, clear direction and common goals." But Patten has sensed stability at his successor, describing his selection as "a farce." Unfettered, Tung responded in his first speech after the vote. "For more than a century, Hong Kong has been a colony. Now we are finally masters of our own house."

Beijing's concerns in other quarters. Tung's optimism is widely shared among his peers in business. Two powerful indicators of unshaken confidence in the future are a soaring stock exchange, whose Hong Kong share price index has reached record levels in recent weeks, and a bull market in real estate now fully recovered from a bearish year in 1995. For those with cash to play in either sophisticated markets, "Suddenly 1997 became a sudden year instead of a crisis," swears radio host Cheung. "The arrow is up," agrees Alvin Lee, executive director of the 900-member Canadian Chamber of Commerce in Hong Kong. "The mood is very positive." Beijing is keen to get that message across. At the prompting of La Fong, director of the state-run Hong Kong and Macao Affairs Office, 21 of the territory's richest tycoons contributed \$18 million to endorse the Better Hong Kong Foundation to promote the territory's prospects overseas. Among them: Li Ka-shing, whose holdings include Vancouver's Expo Lands development; the 100-year-old HSBC; and the largest individual stake in the Canadian Imperial Bank of Commerce. Says Leslie Rie, the foundation's administrative secretary: "We believe China will keep Hong Kong as an international financial center and as a window to listen to different views from all over the world."

The central government is somewhat less interested in what Hong Kongers themselves think of their return to Chinese sovereignty. Of the territory's 5.8 million ethnic Chinese, most are only returning or two generations from arriving ancestors of farmers, persecution and grinding poverty in what is now Communist China. While people in Hong Kong's booming streets think of the mainland, where academics Ngai Mee-kun and Li Sheng in a report on Hong Kong affairs published last year by the Chinese University Press, they think of "corruption, human rights violations,



Busy city: opinion polls show people would prefer independence

## 'The greatest fear is that the mainland will bring corruption back to Hong Kong'



Cheung: 'they want to keep the rich people happy'

authoritarianism, brutal crimes and environmental degradation."

Support for the territory's return to China may be at a record high in public opinion surveys—but it is still under 50 per cent. Observed David Heston, managing director of Asia Community Research Ltd. "We will have 60 per cent of people who ideally would prefer Hong Kong not to be part of China. The great fear," the pollster adds, "is that the mainland will bring corruption back to Hong Kong." Echoed by many Hong Kong residents, the fear of corruption takes many forms, from the subtle warnings that good people—a special re-

lationship—may convey to corrupt business associates, to the threat of small cuts collected by systemic graft, bribery and kickbacks.

Provoked by public outrage over particularly flagrant police corruption in the early 1970s, Hong Kong's colonial administration created an independent agency to target the problem—and outside-dispute authority in business as well as the public sector. Twenty three points after its creation, the Independent Commission Against Corruption (ICAC) has become the most respected agency. "We have demolished widespread corruption in Hong Kong," boasts outgoing commissioner Michael Leung. "What we have now is pockets of corruption." Still, Leung acknowledges, "we know that corruption is a serious problem in China. There might be spillover into Hong Kong after 1997. This concern is real."

The "spillover" could well become a torrent. One particularly weak spot in Hong Kong's defense against corruption lies just a few blocks from Leung's downtown office, behind the white curtain and narrow windows of what is currently the Prince of Wales Barracks. After July, it will become one of several prisons in the territory for 10,000 troops of the People's Liberation Army. At home on the mainland the PLA has turned increasingly from military to business transactions in recent years, operating everything from bicycle factories to prostitution and jewelry rings. Being has attracted units transferred to its Hong Kong garrisons to stay clear of business. But how effective that

discretion will be in the face of Hong Kong's rampant temptation is open to question. Beijing, meanwhile, has yet to say how far local authorities may go to prosecute PLA troops who offend. Leung's own views are uncompromising: "Anyone in Hong Kong breaking the law on corruption will be charged and will be prosecuted. I don't think any exception should be made for the PLA."

But some critics question whether Hong Kong's placards have the resolve to keep up the fight against corruption. "Only poor people resist corruption," suggests Cheung. "You talk to rich people, they love corruption. They think if they have money corruption means they have special privileges."

Meanwhile, a new element has been added to the climate of privilege in Hong Kong. Since the mid-1980s, dozens of China-owned companies—

often directed by children or other family members of influential political figures on the mainland—have established offices in Hong Kong. As business contacts between the territory and the rest of China accelerate after the handover, the number is expected to rise sharply, increasing the likelihood of shady mainland business practices infecting Hong Kong. The freshly influential Larry Ruck, chairman of giant CITIC Pacific—Beijing's financial giant—has in Hong Kong—called publicly for a "new vigilance against such corruption." Underlining the force of his sentiments, however, were his and CITIC's own favored associate: Yang is the son of Chinese Vice-President Jiang Qing, and his company plans to share a Hong Kong headquarters complex with the PLA after July.

In this, at least, Hong Kong's public and the leadership in Beijing are in an ability of interest. The central government regularly launches "strike hard" drives against corruption on its home ground. Authorities in neighboring Guangdong province, meanwhile, have turned increasingly to the ICAC for assistance in battling graft across the territory's border. The police in the two jurisdictions have also cooperated closely to combat a wave of cross-border crime. After the handover, Hong Kong will remain closed off from the mainland by a heavily fortified fence.

But that ability of interests is unlikely to extend to freedom of speech and other civil liberties. There, Beijing has laid down two conditions that are far from what Hong Kong is used to after decades of an unfettered press and open political debate. Last May, Hong Kong and Macau director Lu enthusiastically told CNN that Hong Kong's media, television and newspapers would be free to "say any thing they like" after July. Then he quickly made an exception: "Of course, broadcasting two Chinas would not be allowed. Certainly not." The same month, 40 Hong Kong parliament members against Chinese attempts to limit their coverage of a committee working on the transfer of sovereignty. And in November, Foreign Minister Qian Qisheng, after renewing assurances that Hong Kong would continue to have a free press, said: "I don't regard censoring papers and making personal attacks as the type of press freedom." During his campaign for office, Tung echoed Lu's and Qian's views, promising free speech while noting the need to make exceptions—such as to protect independence for Taiwan.

Other freedoms are also under attack. Last week, a mainland group working to bring Hong Kong's laws into line with those of China and the Beijing-appointed Basic Law—Hong Kong's post-handover constitution—recommended stripping key guarantees from the bill of rights and other laws covering protest demonstrations, political parties and the privacy of personal data. Patten called the proposals "legal nonsense" and said Britain would officially protest. Washington also expressed concern. "There is nothing in the Basic Law that would restrict the changes did not involve human rights but they would involve the removal of many of the freedoms and liberties that Hong Kongers have enjoyed," says a spokesman. "We need to find the right balance," he said.

Still to come are further and potentially broader limits on public debate. After centuries that within reason were checked in Hong Kong to protect the regime's actions at Tiananmen Square, Beijing insisted that provision for new measures against dissent be included in the Basic Law. As a result, Article 25 of the document requires that the new administration to "strict laws prohibiting 'wildfire' and 'subversion'" as well as any public activity by foreigners on Hong Kong soil. Sedition, notes Hong Kong University law professor Nihal Jayaraman, is "speech intended to bring the government into disrepute—exactly what an opposition is expected to



Patten (left) and Tung: a controversy over the Bill of Rights

The international expert in human rights adds that there is no offence called "subversion" in common law in China, however, both charges are routinely used to prosecute dissidents like Wang Dan, a leader of Tiananmen Square activist, for making pamphlets, placards or videos critical of government. "Now," says Jaworski, "they want to introduce that into Hong Kong."

In law, political debate was barely encouraged under most of Britain's rule there. Nor were elections. The one in 1985, which elected the current Legislative Council, was the first in which every member was elected and every eligible citizen got to cast a vote. And while only 400 members of British-style indirect consultation committees had been elected, the new results in the race for chief executive, that was still a wider pool than any of his predecessors had ever faced, all of them were appointed directly from London. "The process wasn't too far off," says Canada's Lambert, "considering the process which it replaces." (There's a claim that law selection marked "the first step in Hong Kong's democratic state." The timing of additional steps, he adds, will be determined "in conformance to the Basic Law and the actual situation in Hong Kong. It is likely to be a slow march. Time also restricted has been that 'our society has become too politicized in recent years'."

Silk, intelligence and creative politics will also be needed on Hong Kong searches for an accommodation between its Ordinance and Confucian heritages. Driven by the need to define and protect what has sustained their commercial vitality through five milennia, society, Hong Kong's people are just beginning to ask, "Who are we?" says Tim Paine, a Hong Kong-born, U.S.-educated editor for the regional newsmagazine *Asiaweek*. "Are we Hong Kongers? Are we Chinese? What kind of Chinese are we?" Now and I'll agree in their report. "The people of Hong Kong are experiencing an identity crisis. Nationalistic feelings are on the rise, yet there is a strong sense that we, Chinese Hong Kongers, are not them, outsiders."

A related question is the place in Hong Kong's future of 420,000 foreign residents. For some, including many Canadians, the transition promises at least one benefit previously denied to all except British expatriates: eligibility for the right of permanent abode in the territory. Others, especially people from the Indian subcontinent, holding a British passport, are not them, outsiders.

needed there on June 30. After that, residents will either have to give up their Canadian citizenship or opt to be treated as foreigners, losing permanent residency after seven years. The thousands of Chinese-Canadians who have flooded airline and hotel reservation desks in order to be physically present in Hong Kong on June 30—believing that they would secure their right of abode—will be disappointed. Many presence in the territory on the night of the handover will not be sufficient.

Many expatriates presently working in Hong Kong predict that their numbers will decline. One reason is the growing number of young, highly educated Hong Kong natives returning from foreign universities and staying up jobs that were once only to English-speaking foreigners. Another is the desire for permanent homes. That Hong Kong is a closing window on a society that has



## A LEASE ON LIFE

The territory of Hong Kong (here) called in doing my mental counts of Hong Kong Island, the New Territories, and the New Territories, each acquired separately by Britain but now bound together until at least 2047.

**1942:** China calls Hong Kong (and to Britain) after losing the First Opium War, fought when China tried to stop the illegal British trade in the drug.

**1960:** Britain joins the Kwangtung Peninsula after winning the Second Opium War.

**1985:** Worried about security, Britain issues the Basic Law, Hong Kong's new constitution and outlines plans for China for 99 years.

**1986:** Recognizing that its new-coming possession is not viable without the New Territories, Britain agrees to China's demand for return of the whole of Hong Kong when the lease expires on July 1, 1997. Their Joint Declaration promises Hong Kong "a high degree of autonomy" for 50 years.

**1990:** Shipping tycoon Tung Chee-hwa is chosen as post-handover chief executive by a mainland-appointed committee.

**1997:** After a handover ceremony late on June 30, the British governor will sail from Hong Kong harbor on the royal yacht *Bellesize*. As the Chinese flag rises at night, most of Hong Kong's 6 million people will be in the new Hong Kong Special Administrative Region.

**2000:** Britain's conservative role in transitional issues ends.

**2003:** First year under the post-handover constitution, the Basic Law, when the electoral system can be re-examined.

**2047:** End of the period. Declaring its 50-year period for continuity, Hong Kong will remain separate polities from the social mainland, under perhaps *De Jure* Hong Kong's "one country, two systems" formula.

# A NEW CHILL IN RELATIONS

After the 13-hour fight from Hong Kong, Lau Kolo wanted only to clear Canada Customs and make his connection to Calgary where he planned to visit friends. In studies and casual sight, Lau looked like a slightly elderly television journalist in his late 40s. And initially, the Canada Customs agent who examined Lau's passport to the Vancouver International Airport immigration hall appeared to accept his word that he was visiting Canada on vacation. But then, Lau made a mistake: he offered to sign a handwritten letter from his first trip to Canada, with her luggage. Customs paused. Knowing that Lau and his woman were co-sponsors in a struggling rag, officers later spent Lau's luggage and subjected him to a personal body search. It took nearly two hours for the agents to grudgingly accept Lau's statement. "I was very upset," said the veteran newsman. "I felt they had something against people from Hong Kong."

Lau is far from the only traveller arriving from Asia to complain that Canada Customs officers in Vancouver have put them through the third degree. More disturbingly, he is also far from alone in suggesting that Canada in recent months has sent out negative signals after another or both potential vacuumers and would-be managers of Hong Kong.

Others frequently cited reports include will new tax requirements on Canadian residents to report foreign assets, a slow economy compared with many in Asia and a vague but widely accepted perception of increased racism. Canada's image in Asia has slipped so sharply, in fact, that Hong Kong publisher and talk-show host Albert Cheng, who holds Canadian citizenship, recently complained. "In Vancouver, they're afraid one day they'll make up and see all the Hong Kong youth people have come. Tell them not to worry about it. In fact, they're going to get up on July 1 and find all the Chinese in here, gone."

The outpouring of Cheng's concerns is the case, but only in a matter of degree. Although neither Canada nor Hong Kong keeps records of how many Canadian citizens with origins in Hong Kong have returned to the territory, unofficial estimates run to the tens of thousands. Meanwhile, Canadian diplomats and trade officials



Arriving at Vancouver airport. It's subtle, but they're not comfortable.

acknowledge the growing extent of complaints leveled at Canada. "Rumors by Customs officials in Vancouver are a real nuisance," admits Garrett Lambert, Canada's senior diplomat in Hong Kong. "I can't say it's a sign of a problem."

Similar rules expected to take effect later this year regarding Canadian residents to disclose foreign investment assets valued at more than \$100,000—the price of a parking space in Hong Kong—are "a problem here in terms of people's perception," Lambert says. For one thing, the new rules add to a Canadian tax regime that already appears both complex and punitive in contrast to Hong Kong's essentially flat income tax at under 16 per cent, with no sales or capital gains taxes.

Moreover, Lambert notes, many Asians have had a lot of experience with governments who want to know things—just always for better reasons.

Harder to come to grips with are assertions that reason against Asians is on the increase in Canada—especially in Vancouver. "It's subtle, but they're not comfortable," admits Cheng. Changes in Canada and all Hong Kong residents with Canada as their base of operations. The most recent report that complaints of racism are on the rise—although often with no reference to specific examples. As an indicator of a chill in race relations, Cheng

## Canada has been sending negative signals to the Far East

points to reductions in government support for multiculturalism. But any new customs may have less to do with ethnicity, especially at a time of both government and personal concerns. The more for constitution that poses uneasiness in Hong Kong's highly material society grows on some Canadian sensibilities. "If people want to spend money, they want to spend it freely and happily," Cheng observes. "That in Vancouver when you spend money, you have a guilty feeling. I tell you, I spend more money in Vancouver when you get it at a red light, people wear at you."

Canadian officials have been all too liberally shamed by the criticism to respond. Lambert, for one, spent time during a recent visit last year checking out racial tensions in Multiculturalism, an affluent community north of Toronto with a growing Chinese population. He dismisses accusations that racism is on the rise in Canada as "canard." Customs "does not target Hong Kong residents," he says. "Vancouver-based spokeswoman Suzanne Ames-Rossella. 'That we are an endorsement agency'."

And so far complaints about Canada have not much affected its attraction for potential immigrants. The number of residents seeking and their citizenship as a so-called insurance policy has declined, authorities say, and greater confidence in Hong Kong's economic future. But the number of applications for entry made in 1996 to Canada's Hong Kong consulate—290—was a far cry from the 3950 filed in 1990. Whatever handicaps the country's image may have suffered, Canada for many Asians is still plenty a place worth coming to—at least once they get past Customs.



Aworty meets Castro: critics that want his for

Mr. Castro will leave it to me," he said. And an unusually spirited Aworty bluffed in an interview that he accomplished more in five hours of talks with Fidel Castro, Cuba's leader, than he had in the last 30 years.

Ottawa's policy of "engagement" is drastically opposed to Washington's determination to economically isolate the Western Hemisphere's last dictatorship. In Canadian eyes, the U.S. approach is guided solely by domestic interests. "The American stance has never been about noble principle," said Ritchie. "It is about corrupt congressional politics, wealthy Cuban capitalists, a rich and powerful sugar lobby and a rich and powerful tobacco lobby."

The most conspicuous symbol of America's war on Cuba is the Helms-Burton Act, passed last spring, which seeks to toughen the U.S. embargo of Cuba by punishing some of the foreign companies that trade with Cuba. Originally, Clinton wanted to veto the bill, preferring to encourage humanitarian organizations to work towards democratic reform in Cuba. That changed the moment the Castro regime shot down two civilian aircraft carrying members of a Miami anti-Castro group just outside Cuban airspace. Moreover, in a U.S. election year, with key Cuban-American voters in Florida and New Jersey at stake, Helms-Burton seemed really made to order.

But international criticism was more intense than the White House anticipated. The normally compliant countries of Latin America attacked the U.S. attempt to dictate the foreign policy of other nations.

Perhaps with that in mind, Clinton renewed a secret suspension of penalties against foreign companies under Helms-Burton in January. At the time, the special White House adviser on the issue, Stuart Ramsey, cited a tougher stance taken by the European Union on human rights in Cuba as a principal reason for extending the

embargo. But the Canadian approach was clearly another matter.

As soon as Aworty arrived in Cuba, state department spokesman Nicholas Burns began denouncing the visit. He insisted that isolating the Castro government is still the right policy. Then, in remarks that annoyed Canadian officials, he continued: "It doesn't make sense to reward a dictator on our own hemisphere who's completely behind the times. You reward him by sending your foreign minister down to visit, by having business as usual, by trading, and we think that's wrong."

Burns had some support in Canada; an editorial in *The Globe and Mail* called Aworty's visit "unacceptable." In Toronto, Billboards, paid for by an organization of Cuban-Americans based in Miami, appeared urging Canadians not to vacation in Cuba. (They were countered by a campaign by Cuban Canada urging people to go to Cuba but avoid Florida, to protest over Helms-Burton.) But Aworty's book now had put him on short notice around the world.

The next day, Burns was more conciliatory. He stressed that Aworty had every right to visit Cuba—but that Canada and the United States took fundamentally different approaches to dealing with Castro. In fact, the state department realized that Burns's criticism had gone too far. According to a Canadian official, Burns became warmed when he received a congratulatory phone call from the office of Jesse Helms, the strongly anti-Castro senator from North Carolina who co-sponsored the law bearing his name. "He [Burns] started realizing he'd put his foot in it," said the official.

By the time Burns dispatched the Canadian Embassy in Washington to clarify his remarks, and also spoke to the U.S. charge d'affaires in Ottawa, Thomas Weston Whitman, the Americas gave the Canadian-Cuban accord more credence. Clinton said he was "gratified that the Canadians said the [Americans are] wrong" and that the Canadians had been right about human rights issues in Cuba. In fact, the post-Helms-Burton firming of the law itself allows leaders some support to show that but Canadian officials insisted that their approach last week was nothing new—and that this Ottawa has long urged the Cuban government to be more flexible in dealing with its domestic critics.

The United States said it has a monopoly on human rights," called Aworty. The next question is whether his moves will have any impact on Castro's monopoly on power.

JOHN DEBOST in Ottawa with ANDREW PHILLIPS in Washington



Clinton and family greet inaugural crowd: modest goals

## BICKERING INTO A SECOND TERM

The economy is booming, the country is at peace, crime rates are falling and the leader of the white party is discredited. Even the sun burst through gray skies over Washington last week just as President Bill Clinton took the oath of office to begin his second term. He should be on top of the world, but the reality is glum. His paid speech to the 200,000 who gathered to witness the ceremony meted out enthusiastic applause only when he delivered "the politics of job bickering and adverse partnership."

That, however, is exactly what both Democrats and Republicans predict: contention and squabbling over the official positions facing both Clinton and the controversial Speaker of the House of Representatives, Newt Gingrich. Last week, the House confirmed Gingrich's term of \$300,000 (U.S.) for financial irregularities. Tom Campbell, an independent-minded Republican congressman from California, said that his party will, if anything, step up its attempts to make sure the President, too, is called to account for any ethical lapses, and concluded sadly that "it's a time of division."

Clinton has set conflicting goals for his second term. With no more elections to win, the President can spend the next four years campaigning for something that he has publicly reflected on often since he re-elected: his place in the history books. On the strength of his modest first term, most historians in a recent survey agreed that he would rank at best as only a mediocre president. Without the historic challenge of war or depression, Clinton has taken to citing as his model Theodore

Roosevelt, who initiated sweeping domestic reforms in the first decade of this century and scored the term "fully adult" to describe the persuasive powers of the presidency. Still, the goals that Clinton has outlined for his second term fall short of history. They include eliminating the federal budget deficit by 2002 (while meeting Republican efforts for a constitutional amendment ensuring Washington to balance its books); reforming the way American companies are financed; and ensuring the long-term security of Medicare and social security as the American population ages.

Even these relatively modest objectives risk being compromised by the familiar and depressing legacy of scandal that has dogged Clinton throughout his presidency. They include Paula Jones's sexual harassment suit against him, the Whitewater land deals, allegations that Hillary Rodham Clinton withheld documents from Whitewater investigators, and continuing revelations about illegal campaign contributions to the Democratic party. Republicans, having made their initial boom last week increasingly discontent, are bound to step up efforts to hold the President accountable. As for Clinton, he at least insists that he can avoid one of the common pitfalls of second-term presidents: losing momentum. "I'm not off of gear, I'm not out of steam, I'm not out of ideas," he told an interviewer. His challenge will be to use government to deepen his mark on history at a time when, as he has acknowledged, the era of big government is over.

ANDREW PHILLIPS in Washington

## WORLD CUBA

# A new 'opening'

President was clearly in an expansive mood when he showed up at an unexpectedly far lunch at the Canadian ambassador's residence in Havana last week. Fidel Castro, Cuba's leader, held forth on everything from cooking and golfing to Canadian unity and the American embargo of his country. "It was a tour de force," declared Clinton's foreign affairs minister, Lloyd Aworty. In fact, lunch went on so long that Aworty reluctantly had to cancel a university speech about the workings of the market economy. The university stands near a factory renowned for refining some of Cuba's finest cigars and Aworty, who likes the occasional stogie, hoped to bring home a couple of boxes. Instead, he returned with something far more—a political coup for Ottawa in its longstanding joust with Washington over Cuba policy.

Aworty's mere presence in Havana—the first visit by a high-ranking Canadian of his office since prime minister Pierre Trudeau's trip in 1976—marked off an international slanting match. The United States, which has tried for 38 years to topple Castro, characterized the visit as, at best, "rewarding a dictator" and at worst displaying a

will-remain naive. Certainly the Canada-Cuba agreement Aworty signed contains only a loose commitment to future discussions on trade, and also the forty-year issue of human rights. "We didn't get a 24-hour transformation into a full-blown parliamentary democracy," Aworty told Reuters. "But we established an opening." And by standing up to the White House, Aworty's calculated gamble won the Canadian government credit, political at home and abroad. "It was," declared Gordon Ravich, a former Canadian trade negotiator and now an Ottawa-based consultant, "a most impressive performance."

The government was only too pleased with itself. Speaking in France, which, along with other members of the European Community, has been at loggerheads with the United States over Cuba, Prime Minister Jean Chretien said the Americans had their own headline approach to blame for keeping the Cuban strongman in power, since he could blame Washington for any problem. "Let them normalize the situation between Cuba and the United States and I don't think that

shot down two civilian aircraft carrying members of a Miami anti-Castro group just outside Cuban airspace. Moreover, in a U.S. election year, with key Cuban-American voters in Florida and New Jersey at stake, Helms-Burton seemed really made to order.

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## Canada's Cuba visit annoys Washington



# Getting along without Quebec

When Jean Chretien and Jacques Chirac emerged from the French President's Elysee Palace after their luncheon last week, they paused on the steps to shake of the lumpy state of Ottawa-Paris relations for the cameras. They behaved at each other like hard hands: dropped upper arms. At one point, their heads tilted back in laughter, presumably at some lighthearted joke that only the leaders of nations can share. Chirac, even without the aid of his aides, seemed to be in good luck. Chretien, wearing reporters' glasses on the Quebec Question, and at the park, then shuffled across the pebbled Elysee courtyard for a last, goodbye. His moist palm hung stiffly in the air as Chretien's limousine pulled away. Like a father in the driveway seeing off his son after a two-year visit home.

It was "a gesture that protocol did not demand," said Chirac's spokeswoman, in case anyone missed the point of the over-the-top chicanery. No one could. Every trip to Paris by a Canadian or Quebec leader since the 1970s, with observers peering at the most minute trappings for insight into French diplomatic thinking. Did they go on an honor guard heliporting a head of state for Lucien Boduch? Was Chretien granted a longer private meeting with Chirac than Bourdieu had received the last time he came through? It is a vaguely embarrassing element of Canadian political culture that reporters and officials generally like to note the gilded halls of the French Senate or the Quai d'Orsay as nothing more than backdrops for a national day to debate our trip.

It is also apparently becoming a tired routine for even the most Gaulish of French politicians. Once, they were treated to be handed opportunities to sit down with the two world leaders. Then, France Minister Alain Juppe often sat in a dignified air in discussing reporters' extraneous to muddle. Juppe has grown restless to avoid, like Algerian, Iranian attacks on French cities, and a major

ty of French workers who believe they should be allowed to retire at age 55 on state pensions. Quebec is just not popular. Or as Chretien put it, "there are just many people in Paris who do not take up last night" worry about Quebec independence.

So "Innocent" was the motto for Chretien and his French counterparts, with federal officials asserting that relations have not been as good since Canadian soldiers helped smash the Vichy government. The



Chretien and Chirac after lunch a job offer for Boutros-Ghali

explanation for the sudden warmth is simple: the international issues that matter most to the French these days demand a tilt towards Ottawa. Canada is a potentially ally for France on everything from NATO expansion, to the crisis in Zaire, and the quest to exempt cultural industries from American entertainment imperialism.

That shared world view was reflected in the agreement last week to boost the political clout of the Francophonie, the association branding the world's French-speaking countries, which until now has focused on promoting cultural, scientific and technical links. France is looking to develop an international counterweight to American power, and a more assertive Francophonie with a powerful secretary general is a pillar of that policy. *Meredith* has learned that the French want former UN secretary general Boutros Boutros-Ghali to become the Fran-

cophonie's first secretary general when the organization meets in Paris this fall. "We are going to rehabilitate Boutros-Ghali," said a source close to French Francophonie circles. In Paris last week, Boutros-Ghali told *Meredith* that he had "received proposals from different member states" of the Francophonie and had "no practical objections" about accepting the post. "But it's also early to give an answer." Aside from giving the body a strong, highly regarded leader, his appointment would make a finger in the eye of the Clinton administration, which vetoed his reelection to the UN job last December.

Chretien himself took a few days at Washington in a way that might have made Chirac gro. The recently derailed Juppe was also present in Chretien's presence, which was a substantial amount of time for those still in the habit of counting a lunch, two dinners and an unscheduled breakfast sit-down. The old tensions over Quebec that kept Pierre Trudeau from visiting France during his first six years as prime minister seem to have lifted. "The most contentious issue recently was our decision to condemn French nuclear testing," said Canadian official John Gauthier. The decision in Paris was reportedly to regulate the amount of testing. Last fall, the two Canadian premiers held a joint news conference in Paris at a neutral site—telling the story of asbestos products.

All is never perfectly smooth, of course. At a colloquium on the life of Prince of Metternich held in Paris in January, Quebec Culture Minister Jeanne Boudreux suggested that the late French president expressed his support for Quebec independence just after the narrow Navajo in October, 1985. "These things take time," said Metternich reportedly reemphasizing words to a secretary. "That's a cry, a sigh," said a French friend of Chretien's. "It's possible, but unlikely," said Georges-Marc Benamou, author of the current best-seller *The Last Metternich*, in which the late president collided during his last months. Separatism and independence had flag over the last words of a dead man. For now, at least, it's out of fashion. □

## CHALLENGING YELTSIN

Russia's Communist opposition failed to oust sitting President Boris Yeltsin but vowed to continue trying. Communist deputies had voted to assault Yeltsin on grounds of ill health and to block his budget. Yeltsin, who has not been seen in public since he was hospitalized with pneumonia on Jan. 6, is too ill to return to the Kremlin anytime soon, his doctors said.

## TALKS IN SOUTH KOREA

South Korean union leaders called off their month-long strike protests after President Kim Young Sam made compromises that permitted negotiations to move forward. Kim agreed to respond before a labor bill that had been stalled through parliament in the early hours of January 12, December while the opposition slept. He also ordered the release of four arrested union leaders.

## WASHINGTON TO PAY UP

President Bill Clinton said the United States intends to pay \$1.4 billion of its \$1.6-billion debt to the United Nations by 1999—as long as reform of the world body is under way. During a visit to Washington, new UN Secretary General Kofi Annan said he would have a wide-ranging plan in place by July. Annan also met with senators such as Republican Jesse Helms, who leads the drive to block UN payments, and an array of congressmen.

## EARLY BALLOON LANDING

An American advertisement set itself down as a northern lights village, sniggering \$400,000 balloon sale true after it ran short of light during an attempt to circle the globe. Steve Fossett, a 33-year-old Chicago stockbroker, said he would try again next year. Fossett's team made world records for both endurance and distance during its six-day flight.

## NO TO HIDDEN CAMERAS

A North Carolina jury ordered the ABC network to pay the Food Lion grocery chain \$7.5 million for hiring two producers (who are employees in order to expose the store's alleged practice of selling spoiled meat. Food Lion at speech activists condemned the decision as an attack on the methods of investigative television reporting. The damages were awarded for food and trespass rather than libel, although the company disputed the allegations.



## KILLING FIELD:

A veterinarian gives a cow a lethal injection on a farm near Paderborn, Germany, after officials ordered the immediate slaughter of 5,200 British and Swiss cattle. The move was designed to calm health fears sparked by the first death from BSE, or "mad cow" disease, of an animal born in Germany. The illness, most common in Britain, has been linked to the human brain-wasting disorder Creutzfeldt-Jakob disease, and is spread by feed containing ground animal parts. Officials said it would soon ban domestic cattle feed that contains ground parts of cows, sheep or other mammals.

# A wave of massacres in Algeria

Four groups in Algeria said a wave of bombings and massacres started on Islamic markets. More than 150 people have been killed since the opening of the Muslim holy month of Ramadan on Jan. 30. Identified religious groups reported that on Thursday alone, attacks hit the streets of 46 people—including 30 women and two children—in villages south of Algiers. Another 40 in the area died the same way on Friday. At least five bombs were set off in the capital during the week and another 17 were defused. The bombings, which were to end strict Islamic rule, had paraded a "bloody" Ramadan. Their five-year insurgency, which has

claimed more than 60,000 lives, began after the military-backed government cancelled elections that an Islamic party was poised to win. In a mid-afternoon, President Larbi Zerrouk announced Islamic powers for the violence. It was the first time a government official had commented on the latest killings, which were unprecedented in the state-controlled media. Zerrouk has promised to negotiate with all parties in advance of holding legislative elections in early June. But diplomats said it is unlikely elections will solve the crisis because Zerrouk intends to keep parties based on religion out of the parliament.

# The war truly ends for Germans and Czechs

After years of strained relations, Germany and the neighboring Czech Republic vowed to put their Second World War grievances behind them. "We want forgiveness and we want to forgive," German Chancellor Helmut Kohl said in Prague after signing a reconciliation accord. In the document, Bonn expresses sorrow for the 1938-1945 Nazi occupation of Czech territory, while Prague apologizes for the postwar expulsion of 2.5 million ethnic Germans from the Sudetenland border region. But German leaders—most of whom resided in Bavaria—criticized the pact for failing to resolve the issue of restitution for confiscated property. Czech demands for compensation are addressed by a \$250-million fund for Czech victims of Nazi aggression.

# Rumble in the jungle

BY JENNIFER WELLS

On Sept. 17 at 7:55 a.m., for near U.S. president George Bush landed in the sleepy town of Iloilo, Negros, on a luxury Gulfstream jet owned by Barrick Gold Corp. of Toronto. The residents of Iloilo (population 35,000), who had only recently welcomed their first Wal-Mart and their second McDonald's, had never seen anything like it. The motorcade, the mounting security force. Nor were they used to having the likes of former prime minister Brian Mulroney, former Bundesbank head Karl Otto Pöhl and former U.S. senator Howard Baker Jr. in their midst. That evening there was a party at the local government centre. "Everybody got to shake Mr. Bush's and Mr. Mulroney's hand," says Larry Kavanagh, a Barrick geologist. "It was a really big deal. I'm telling you" Bush gave a small speech. He called Mulroney his "great, good friend" who "got me involved in this advisory board for Barrick that he heads."

Said Bush, "It's one of the luckiest things to happen to me." The lady in question is Barrick's international advisory board, to which Bush as an honorary adviser. Bush et al are on the board at the behest of Barrick chairman Peter Munk to consult on international corporate concerns—to open doors. The morning of their arrival they gathered at Ref's Ranch, a bed and breakfast outside Iloilo. They later toured three nearby Barrick mines, the motherlode-ounce gold producers in which Barrick has stakes. A reputation as one of the world's pre-eminent mine houses. "I'd thought I'd seen a lot of things in my life, but this was absolutely mind-blowing," Bush said in his speech. "I expect that there is no such enthusiasm here for Barrick as I have in my own heart."

Two days later, according to the *For Eastern Economic Review*, Bush wrote a letter to an old friend, Indonesian President Suharto. "It was a short letter," says Jim McGrath, Bush's spokesman



## The fight heats up for a \$50 billion Indonesian gold stake

With Joe (left) and Austin, the Vancouver-based executives have opened the ante

in Manado. Literally, McGrath says, expressed Bush's "highly favorable" impression of Barrick.

That is the way Munk does business. The business at hand is determination to secure for Barrick the Bauxite gold properties in the jungles of Kalimantan, the gold find of the century discovered by little Brix-X Minerals Ltd. of Calgary. While Bush provided assistance of Barrick's credentials to the top level of the dictatorship, Munk had earlier in the year spared Suharto's eldest daughter, Titi, and made her a partner. But the conquest, which seemed assured in November, has not gone as all smoothly. Barrick, says someone close to the negotiations, is "going home."

Last week, both Barrick and Brix-X acknowledged securing yet another massive from Indonesian minister of natural resources, setting yet another deadline. The letter dated Jan. 15 and addressed to both Munk and Brix-X senior vice-president of exploration John Polidoro, reminds both parties that they have as yet no legal rights

to the richest pieces of Bauxite. It was Polidoro who discovered Bauxite, which is believed to contain 100 million ounces of gold worth nearly \$50 billion. Brix-X and Barrick, say the Indonesians, have until mid-February to form a new company to develop Bauxite. In its own release, Brix-X said it would "work diligently with senior executives of our Indonesian partners, PT Adaro and PT Bukit Merah and PT Araya Laga, to resolve outstanding matters." No mention was made of Barrick, which, with its own assumed partners, was set to take 47.5 per cent of Brix-X's interest, leaving 25.5 per cent for Brix-X and giving 10 per cent to the Indonesian government. The wording of the Brix-X release—"We remain anxious to see favor with local and foreign partners acceptable to the government of Indonesia"—suggests that the deal-making door is wide open.

As with any good soap opera, there are several plot lines at work. The first goes back to 1993, when Larry Kavanagh and geologist Paul Kavanagh, both then in the employ of Barrick, visited the Bauxite site. Kavanagh subsequently recommended that Barrick join up with Brix-X and lead further exploration. "The Barrick folks took over negotiations with Brix-X and never pulled all a deck," says Kavanagh. As Brix-X's own exploration, at Bauxite progressed, it became increasingly clear that Bauxite was the motherlode. Barrick reopened negotiations with Brix-X, at one point reaching a tentative agreement. Then, Barrick started demanding changes, and the deal was off. It had not helped that Brix-X CEO David Walsh has never been crazy about Barrick, a distrust that seems to stem from Brix-X's allegations that Barrick used proprietary information acquired by Brix-X when it cracked up its own exploration efforts in Kalimantan. Barrick denies the charge.

Other mining companies were keen to be the successful sister RTZ Corp., the U.K. giant, was the first. Newmont Mining Corp. of Denver, and Teck Corp. and Placer Dome Inc., both of Vancouver, followed. Placer was in the middle of negotiating a confidentiality agree-

ment with Brix-X in November, and had mobilized its troops for the company's first trip to Bauxite, when the Indonesian government announced a ban on the mining of Brix-X and Barrick.

Placer CEO John Wilson was publicly scathing at the Indonesian government. Barrick, Placer's closest ally, started to work as agent of his own. On Jan. 1, Placer unveiled its own plan, a proposed \$6.25-billion merger with Brix-X. Last week, Jim Austin, Placer's chief financial officer, had his first meeting with Brix-X at the Four Seasons Hotel in downtown Toronto. Alongside was Gordon Dyal, from Morgan Stanley & Co. in Manhattan, Placer's investment advisers. "The beauty of our proposal," says Austin, "is that existing Brix-X shareholders will get substantial exposure to the Bauxite property."

The Placer proposal significantly ups the Indonesian share of the project, just when Munk is desperate to close his deal. "If this thing is structured right, there can be up to 40 per cent available for the Indonesian minority partners. The government and the Indonesian public," says Wilson. On the phone from Jakarta, where he was in meetings at the end of last week, Wilson declared it is clearly whether the government would have to back in any means for its plan. "That clearly needs to be talked about with the government," says Wilson.

But the government, as of the weekend, had not responded to Placer's offer. And Wilson well knows that if the fight for Bauxite is thrown open, other mining companies will join the battle. Last week, he met with Bob Hasan, the Indonesian banker baron and billionaire who controls 50 per cent of PT Adaro, which in turn owns 10 per cent of the richest piece of Bauxite. Wilson said it would be wrong to describe those discussions as negotiations, but rather "talks about principles, philosophies and how we both see the world." Wilson is a practical man. "Whoever is thinking," he says, "has to make a deal that's satisfactory to Hasan."

Hasan has said publicly that he wants Bauxite nationalized. Last week, he was rumored to be on the verge of a minority investment in Freeport-McMullan Inc.'s copper-gold mine on the Indonesian island of Irian Jaya. Hasan's ties to John McMillan, who runs the Newmont-based company, are close. He has dealings with Suharto. That has led to speculation that the next mining company to enter Brix-X has already, will be Freeport itself.

All of this means one headache for Munk. That says Gregory Charney just fine. Charney, a 37-year-old multimillionaire who lives just north of Toronto, is one of a group of Brix-X shareholders that has so far spent \$400,000 "supporting the Barrick monopoly." The group formed a Bauxite fund that, says Charney, has been in Jakarta to assess evidence on what were most likely the infamous red copies of various mining permits secured by Brix-X. And the shareholders have launched other mining companies, including Teck, Newmont and Anglo American, to enter the fray. At one time, Charney had 2.1 million Brix-X shares. He now has 1.4 million—worth \$30 million—having sold a huge chunk after what he calls Barrick's "threat of expropriation." Charney says there is nothing Barrick can do to make him leave. "I'm not a quitter," he says. "I will never be satisfied until I have my day in court with that president," he says, meaning Munk. Paul Vetter, a Houston lawyer who is acting for the shareholders, is planning the legal assault. "As owners of Brix-X [the shareholders] have been argued by what appears to be deliberate interference with their company's property rights and business by manipulation in the marketplace," says Vetter. Vetter fought a similar "bigger dog grabs the boy's" fight before, representing Placer against Toronto's Placer Dome.

As for Munk, he despairs. "There is but one way for the Swiss to resist Indonesia. He knows it. He will not be there for long. Munk now has to get Hasan inside if he is working as just Bauxite in the Barrick portfolio. He has three weeks, or so it would seem. But as anyone who has tried to follow the Bauxite saga knows, appearances are often not as they appear. □

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## The Bottom Line

### An ode to the heartland

**I**t was snowing in Regina last week. Following white pants whirled about in every intersection. The roads were encrusted with ice and sleet. But that didn't stop about 150 members of the local chapter of commerce from gathering in the Treadon Room of the Ramada Plaza. It didn't keep them from their monthly luncheon club meeting at the Seven Oaks Motor Inn, or from the blithe President's Ball.

For several years now, Canadians have been exhorted to "think global"—to pursue international business, to export Canadian commodities, products and services to foreign markets. Initiatives like the recent Trade Canada trade mission are tasked with the solution to a domestic employment crisis. Those government programs that remain tend to focus on companies that play in the offshore big leagues.

Certain truths remain self-evident. There will always be a sense of place attached to international trade. Canada's exports will always drive the gross domestic product. But the heart of Canadian business will beat strong at the 300 chambers of commerce across the country. That's where community interests are discussed, and where local business people can network. And, for that matter, where they will sign a hearty version of the national anthem before lunch.

Their topics seldom include such caustic fare as gold discoveries in the jungles of Indonesia or commodity contracts with China. But groups like the 750-member Regina Chamber of Commerce are a microcosm of the hopes and concerns of almost every business in Canada.

The challenge of applying new technology is among the top local business priorities. Jim Dett, head of Regina Cable, is concerned about competition from a new wireless cable service. Billy Hagen, who runs a shoe company that his father bought after the Second World War, is debating whether to start marketing his inventory of specialized shoes through the Internet.

Taxes are a hot topic in Regina, as they are

everywhere. Local residents are proud that the province recently posted a budget surplus and has increased spending on health care. But tax cuts—especially at the municipal level—are a popular notion. There is widespread concern about new business assessments imposed by the city council. As a percentage of sales, Regina businesses already pay among the highest business and property taxes in Canada.

The cautious optimism that has gradually taken hold across the country is clearly reflected in Regina. The latest survey of local business by the chamber of commerce indicates a strong mood of optimism. Regina—like Saskatoon, its rival in the north—has been hurt by provincial government layoffs and budget cutbacks. Nevertheless, 67 per cent of those surveyed expected an increase in business volume in 1997, 32 per cent expect to employ more people and 30 per cent expect to invest more in their businesses.

But there are several variables that could dash those expectations. There is only one non-stop direct flight daily to Regina from Toronto, and residents are extremely anxious about the uncertain future of Canadian Airlines and its subsidiary, Canadian Regional Airlines. Continued competition between the two major carriers is viewed as one of the few ways to ensure regular, affordable air connections to Winnipeg and Calgary, the closest major airline hubs. Access is also the impetus behind Regina's role in the TransCanada No 1 West Association. The association, comprised of communities along a 276-km stretch of the TransCanada Highway, wants to spend a least \$60 million to upgrade the road and transform it into "Canada's Main Street."

Last week, Saskatchewan Premier Roy Romanow retorted from a new Canadianist Asian trade mission to the snowdrifts of Regina. Later that month, another group from the area will travel to South Africa to drum up business there. But in the end, they all return to their roots. And to organizations like the chamber of commerce.



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## BULLISH BUSINESSES

Canadian companies are optimistic about business prospects in the first quarter of 1997, but do not plan to hire more people, a survey showed. Sales expectations rose for the first time since 1991, partly on the strength of a strong Christmas season. The poll of 1,200 companies was conducted by Dunn & Bradstreet Canada.

## MAZDA, FORD SWAP PARTS

Mazda Motor Corp. of Japan is strengthening its links with Ford Motor Co. The two companies plan to decide by March which models will share standard platforms and whether the two companies should share engines. Ford owns 33 per cent of Mazda, whose president, Hideo Yamaoka, is a former Ford official.

## BELAND RE-ELECTED

Olivier Beland won a third term as president of Quebec's largest financial institution, despite internal criticism of his support for Quebec sovereignty. Senior officials of the Movement des caisses Desjardins chose Beland over Jocelyn Proulx, head of its western Quebec division. Beland said that he fears he will retreat from "political declarations."

## EXECUTIVES LOSE PAY

Thirty-four former executives of the defunct Confederation Life insurance company lost a court bid to recover millions of dollars in pay. Three judges with the Ontario Court of Appeal upheld a 1995 ruling that threatened the executives' effort to win special status over ordinary creditors. Retired chairman Patrick Burns and his predecessor, Jack Rhind, will lose \$1.2 million in deferred compensation, and 31 others will forgo \$19 million from supplementary retirement plans.

## MEGAJET ON THE HORIZON

Airbus Industrie said it expects to launch its 650-seat superjumbo jet next year, even though rival Boeing Co. has shelved its plans to develop a similar plane because of a perceived lack of demand. The new Airbus will not enter service until 2003. Future versions could seat as many as 800 people and boast a range of 13,000 km. Boeing's largest aircraft, the 747-400, seats 423 and has a range of 13,000 km. Airbus is spending \$11 billion to develop the new plane.

## Bank bashers told to back off

Bank-bashing by the Canadian public persists in spite of the financial services sector, three top bankers say. The chief executives of the Bank of Nova Scotia, the Bank of Montreal and Toronto Dominion Bank all said that restrictions advocated by some critics would make it harder for the banks to compete against foreign banks. Montreal activist Yves Michaud, who owns shares in the Royal Bank and the National Bank, recently went to court to force the two institutions to allow shareholders to vote on a series of reform proposals—including a measure limiting the income of each bank's best-paid executive to 30 times the average salary of bank employees. Currently, executive pay is determined by each bank's board of directors, on the recommendation of an advisory committee.

The Big Six banks earned a record \$6.3 billion in 1996, raising the ire of critics. But when Canadians bash the banks, they are in a real sense bashing themselves," Bank of Montreal CEO Matthew Barrett told shareholders at the company's annual meeting in St. John's, Nfld. At TD's meeting in Toronto, CEO Richard Thomson said high salaries are necessary to attract the best people. ScotiaBank chairman Peter Godwin added that Canadians underestimate the importance of the financial services sector, which employs more than 800,000 people.

## WHO MAKES WHAT

Total 1996 earnings of Canada's Big Six bank CEOs

Matthew Barrett, Bank of Montreal	\$5.19 million
Al Flood, Canadian Imperial Bank of Commerce	\$2.30 million
Peter Godwin, Bank of Nova Scotia	\$2.65 million
Richard Thomson, Toronto-Dominion Bank	\$2.79 million
John Clapham, Royal Bank of Canada	\$2.87 million
André Forest, National Bank of Canada	\$1.1 million

## Phantom philanthropist

Carnegie Rockefeller Fund To that list of philanthropists, add Charles F. Feeney. Among those who had never heard of Feeney until last week were many of the medical researchers and scientists who have benefited from the New Jersey entrepreneur's anonymous donations over the past 15 years. Feeney's decision to open up to the contribu-

tion was prompted by a lawsuit over the sale of his Drug-Free Shoppers chain, which would have forced him to reveal his locations.

Since 1982, the eccentric 65-year-old has contributed \$800 million to organizations emerging from New York's Mount Sinai School of Medicine to Fern Park, the political wing of the Irish Republican Army. "I simply decided I had enough money," said Feeney, who is now worth less than \$6.5 million.

## FINANCIAL OUTLOOK

Canada's inflation rate rose to 2.2 per cent in December from two per cent in November, the latest sign of a strengthening economy. In November, retail sales rose 0.9 per cent, the sixth gain in seven months. The increase will likely dissuade the Bank of Canada from lowering interest rates further in order to spur growth.

In the United States, inflation fears rose sharply after the chairman of the Federal Reserve Board warned of rising wage pressures. Alan Greenspan's remarks sent share prices reeling on the New York Stock Exchange.

"Investors are coming to grips with the prospect that the day of reckoning—a Fed

(interest) rate hike—may be close at hand."

—Nesbitt Burns

"Despite the evidence of strengthening in overall activity, the Bank of Canada is still preoccupied to keep monetary policy accommodative. However, Canadian short-term interest rates have likely bottomed out this business cycle."

—Bank of Montreal

"There is still no indication of broad based price pressures in the economy. Factors are that from declines in prices of clothing and food wear. Industries that tend to be very competitive continue to show weakness."

—NMS International

## CONSUMER PRICE INDEX

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## MAKING THE RIGHT MOVES PART TWO

## The Investors Guide





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"We all look at our RRSPs and it's a wonderful vehicle and we know it's important to do," says Jeff Carlsberg, general manager of retirement services at the CIBC. "But some of us don't spend the time planning it. When people start going through the planning process, it's on eye opener. You have expectations of what your retirement will be like. It can be quite startling and people realize, I really have to start socking money away."

In Part Two of Macdon's *The RRSP Investor's Guide*, for those of you who have had your eyes opened, we will explain the basics of RRSP planning, followed by some practical strategies in times of low interest rates, and a rundown of the different sources of advice. We will also tackle some of the myths that keep RRSP investors from trying mutual funds and offer tips on various RRSP products.

## DEVELOPING A PLAN

Once people have a financial plan they tend to be better savers, according to a Scotiabank study. Those who said they had plans had average savings of \$28,608 compared to \$8,508 for those with no plans. They also felt more confident that they will be able to achieve their goals in life. Unfortunately, only about 56 per cent say they have actually done this kind of planning.

You may want to consult with a financial adviser when you are developing a retirement plan (see "Considered" investors, p. 7) but the principles are pretty simple. First, establish some basic information: How much money will you need for your retirement? How much money do you need to save to get there? Next, decide what are the types of investments that will help you get there to go.

Investments fall into two main types — fixed income and equities. Fixed income investments are those ultra safe, "no-brainer" investments that bring in regular income such as savings accounts, Canada Savings Bonds, term deposits and GICs. Treasury bills and government and corporate bonds. In equity investments you actually own something, such as a share or shares in the stock market, that goes up and down in value depending on what is happening to that particular market. When RRSP investors talk about having

equity in their portfolio they are almost always talking about stocks. And these days, they usually hold not individual stocks but mutual funds.

Mutual funds are a good alternative for most investors instead of doing it on your own with your small amounts of cash. Time and expense, you can pool your resources with thousands of other individuals plus group investors such as pension plans and financial institutions. Together they all contribute money into a common fund, which is managed by a mutual fund company. Even with a small investment, you can get a well diversified portfolio and professional management.

Mutual funds also remove individual investors of the burden of trying to "time" their purchases. Without the time or expense to follow the market, it is all too easy to end up buying high and selling low. Even those who work in the industry buy mutual funds in order to benefit from the expertise, fair value situation and very low styles of fund managers. Although he has spent over 30 years in the investment business, Gordon Wilkes, president of FRI Financial Knowledge Inc., says "I own five mutual funds, especially like ones investing in how do I know which one of the 'biggs' I want to be invested in? I can't even pronounce the names of many of these companies over there."

Choosing between the two types of investment is tricky. Fixed income investments do guarantee a particular return and when interest rates are high enough, that return is competitive with stock market values. Historically, however, stocks have offered a better return in the long run. "All the research we do shows that equities outperform fixed-term investments," says Ranga Choud in international economist and consultant with Choud, Genshild & Company Limited. "Over the short term stock markets are very volatile. But once you have done any your role it's a very good place to be. Over five years you're surely well off. You find a fund that has a negative return after the worst market drop over 3 or 10 years will not lose money."

So while fixed accounts may be safe, they may not generate enough return for you to reach your retirement savings goal on time. On the other hand, the stock market could be a profitable place to put the time you need your RRSP savings. In short, there is no such thing as a risk-free investment. The way to maximize your risk is to invest flexible and ensure your savings performance and strategy as a regular basis. Virtually all advisors recommend that, unless you are ready to make a serious commitment in educating yourself and watching the markets closely, you should diversify.

"More and more Canadians understand the importance of a balanced portfolio," says Don Richards, president of Marketing Solutions and a consultant in the financial services industry. "Historically there's been this ill or nothing approach. I have to have all my money in stocks. I can't have them in anything else. I

## JEFF ROCKEL

president, Royal Capital Financial Planners Ltd.

*I bought my first fund, Thompson Growth Fund, when I was 16. I still own that account. It's my premortgage fund and I love it to pieces.*

*I've had a steadily deductive plan going into my RRSP since 1983 and the only account ever moved, when I was changing funds, throughout the past 17 years, was my contribution up.*

*My goals are growth and I can do that America. I can handle the risk. All my holdings are in equities. I've got Canadian, small cap, emerging markets, and Pacific. With the smaller portion of my RRSP, 10 to 20 per cent, I'll tend toward specialty funds, such as resource funds.*

*One time I took money out of some equity funds, thinking I'd buy back in when they were lower. But I got out too late and back too late. So, I actually was worse off. Market timing is tough to do. That's why most mutual fund companies don't do it. And I'm certainly no smarter than the fund managers.*

have to have all my money in Fund-investments. That leads to the whipsawing action. Canadians are beginning to understand that you probably should be exposed to different investments at all times. So no matter what happens, you're not as affected by it."

## AVOIDING WHIPLASH

We are as that same spot again: interest rates are low and many RRSP holders are taking yearling glances at the higher returns of mutual funds. But many "GIC refugees" have better memories of the 1993-94 RRSP season, when they cooled to their GICs and bought mutual funds because interest rates were low — only to see the cost of that fall. "They wanted to fund in a lot of cases without giving it very much thought," recalls Don Richards, "A lot of them moved in to mortgage funds and bond funds with not really understanding what could happen. That I haven't say word up those funds would go down. Or some were in Latin America or The Eastern funds without realising how volatile they could be."

When funds did they money accounts moved out again. A year later, 40 per cent of those who moved mutual funds in March 1994 didn't own them anymore. Not only did they lose interest, says Richards, but "many Canadians pulled out of funds at exactly the wrong time."

Even today, Canadians still feel most comfortable with GICs. In a Marketing Solutions survey last June, says Richards,

"If they could get eight per cent, over half of mutual fund owners said not only would they put their new investments into GICs, but they would consider switching some of their old investments into GICs." Even though eight per cent is not enough, according to current projections, to give most Canadians the savings they will need for retirement.

So how can you move to a new, growth-oriented strategy without selling "whiplash" — losing out on current investments, paying less to transfer into new ones, and facing risks you may not be comfortable with?

The key is to be both gradual and thoughtful, says Robert Nordman, product manager, retirement savings, for the Royal Bank. First, go back to basics. "What we would want is for the investor to start with a good sense of what kind of investor they are." There's no sense in trading your GICs in for emerging market equity funds if it means sleepless nights and bleeding finger nails. "Some people are genuinely better off holding only GICs." But that means you may have to settle for a lower return, which could mean a reduced lifestyle in your retirement or a few more years of working.

Gains that particular risk, maybe you would be willing to consider a bolder investment strategy. The first step could be to move into longer term GICs. "We know most clients are sitting on terms of one year or less," says Nordman, "waiting and waiting for the rates to go up and waiting now for those years." Instead, Nordman would like to see those clients opt for some longer term GICs, which will bring them a better rate, and begin to "ladder" their GICs — staggering them so they mature at different times. That way there is always a GIC coming due that can be rolled over into higher interest rates, if and when they come, or other types of investment.

David Schnelitz, vice-president, investments at the Bank of Montreal, says the evidence supports that approach. His bank commissioned a study to determine what is the best strategy, given GIC rates over the past 30 years, one year terms, rolled over every year, or five year terms. "The five year strategy provided a better return in 71 per cent of cases. There was an average improvement of almost one per cent per year. That doesn't seem like very much. But if you had invested in an RRSP and obtained a one per cent better return over 30 years, it means a 30 per cent improvement in your retirement income. The real choice was — given the environmental noise and economic prospects for stable rates and low inflation — you can be quite comfortable with a long term strategy." Moreover, short term interest rates make even less sense in an RRSP where you have a longer term horizon.

Once you have accepted that strategy, then maybe you will be ready to move into mutual funds. "There are a lot of mutual fund options that have different levels of risk," points out Jeff Corque, CIBC's general manager, retirement services. "But you really have to go through the exercise of finding out what kind of

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investor you are and what your goals are. Does you know that you can build a portfolio?"

A good place to start is a balanced mutual fund — a mixture of equities, bonds and fixed income investments that is low risk. You are unlikely to experience any major losses with this type of fund. On the other hand, you are unlikely to make big money either.

Another approach is to find an entire family of mutual funds you feel comfortable with. You can do this by identifying a mutual fund company that has a mix of funds, a philosophy and a performance record you like. You can also get the family of funds where you live. This "one-stop shopping" approach gives you some of the advantages of a self-directed RISP without having to pay the administrative fee. You can invest in several different types of funds and receive a consolidated statement of your holdings. For example, at the Royal Bank, you can invest in 10 different mutual funds, along with term and savings deposits, and receive only two regular statements to report on the whole lot.

Depending on the situation, the one family approach will probably also give you certain savings-on-commissions when you buy or switch funds. If your RISP is at a bank or trust company, you can also have interest-bearing investments in your RISP, such as GICs. Several banks and trust fund companies now offer portfolio-type funds. Instead of buying shares in individual funds, the company offers you a mix of different funds.

The disadvantage is you are restricting yourself to the investment vehicles offered by that institution. Different companies have different investment philosophies, which may be suc-

cessful in certain market conditions and not in others. If you really want to protect your RISP, you will want a variety of management styles and philosophies. (Sensibank recently recognized this concern with the launch of its Lenders Program, which offers customers both a Canadian and a global portfolio of equity funds from many different fund companies.)

For complete flexibility, you can arrange a self-directed RISP through a broker, a financial planner, a bank or a trust company. Instead of having different RISP investments all over the place, they will be administered by one institution and you will get one single statement. That makes it easier to keep track of your investments.

A self-directed RISP gets you out of the bond of investing in only one company's products. Most banks and trust companies now offer both a discount investment service and a premier, full-service plan. You can also purchase mutual funds directly through "no-load" companies — those that do not charge a commission — such as Alamo, Besset, Seaton and the Hingham Bank funds.

However, a self-directed plan includes no administrative fee (which is no longer tax deductible) ranging between about \$100 and \$200 annually, depending on the plan and how much service you get. So it does not make sense for investors with only small amounts in their RISPs. A self-directed RISP also usually entails more research and planning, and a commitment to review your investments and develop your understanding of economics and the financial markets.

Another way to make a switch in strategy less risky and more psychologically comfortable is to take advantage of dollar cost averaging through a monthly withdrawal plan. Basically dollar cost averaging means that you spread your investment purchases over a period of time. Average with a bank/mutual fund company to withdraw a certain amount each month from your bank account and use that money to buy a certain investment. While you may never stop lag on a hot market, you will never lose a lot on a cooling trend either. And there is always a bright side: no matter what happens, says Michael Campbell, host of the Money Talks TV and radio shows, "A down just means prices have dropped so you've bought more — an up means you've made more."

Once you have a plan, it's important to stick to it. Do not buy investments that require more stress or attention than you are willing to give them. If an investment is underperforming but the reason you originally chose it are still valid, do not trade it in. All too often, nervous investors get nervous and sell out when the market drops only to see it recover soon after. Or they keep those investments to another, always looking for a better return, making up commission fees and losing money in the process.

And remember that your strategy does not have to be complex. "Pick a few disciplines and do them consistently," advises Michael Campbell. "You don't have to be the best and end-all of financial experts."

## CONFUSED INVESTOR SEEKS RELIABLE ADVISER...

If the wide variety of RISP products leaves you feeling not too bright, comfort yourself in the knowledge that even the experts need help with their retirement investing. The key ingredients in successful investing are knowledge, time, temperament and money, says Gordon Watters, president of FGI Financial Knowledge Inc., which provides personal finance training for employees of large corporations. Watters, who spent 30 years in banking and 23 years as a stock broker before starting FGI, says, "Even I don't have the four ingredients anyone. That's why most investors need an adviser — they're too busy and they just don't have the time to learn everything they need to know."

Actually finding the right person in whom to vest your investment says Dennis Ross, president of Dynamic Mutual Funds and it can take time. "Your broker is how may just have graduated out from medical school but you don't necessarily want him to take out your appendix. It has to be someone you feel comfortable with, who will put your interests first and take the time to understand your needs. Someone who has experience but also went for real education."

Referrals are the best way to find a good adviser, says Watters as long as the person making a referral has at least six years experience with the person he or she is recommending — enough time to see how that adviser performs through both the ups and the downs of the markets.

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In fact, according to a survey done for the Mutual Funds, many Canadians are already becoming more discerning in their search for good advice. Of 250 investors who had recently contacted advisors over the last year, they had interviewed two to four candidates before making their final decision. In many cases they had had multiple meetings before choosing. "Canadians are starting to shop for advice the way they shop for anything else," says Lisa Richards, president of Marketing Solutions, which conducts the survey. "The choice of financial adviser is one of the most important decisions a Canadian can make. It's much more important than their lawyer or accountant because it must cover the future of the adviser he'll going to change as dramatically for a lawyer or an accountant. But it will be different for a financial adviser."

In making this choice, you need to consider factors such as chemistry, the adviser's values and investment philosophy, and whether they will spend enough time on you. Richards says he would ask three questions:

- 1) How will you go about determining what the appropriate investments are for me?
- 2) How do you communicate with your clients?
- 3) Will you give me the names of two or three existing clients and one former client as references?

In addition, says Remer, that, "It's appropriate to ask an adviser, 'How are you going to get compensated and is there a difference in how you're compensated for the products you're recommending versus other products?' It's your money and you have the right and responsibility to see that your interests come first."

There are a variety of different types of advice available today:

**Banking institutions:** Most banks and trust companies now have a reasonably large range of RSP-eligible products, including GIC products and a variety of mutual funds. They're also invested considerable time and effort in training staff to help clients with financial planning and investment decisions. The usual drill is a quick trip through a basic financial worksheet to discover how much you need to be saving and what kind of investments you should be making, given your goals and risk profile. This may not be the most sophisticated or detailed advice available, but for many Canadians it will do just fine.

**Direct purchase, no-load mutual funds:** Companies such as Allanair, ABC and Scripps sell mutual funds directly to the public rather than through third-party sales reps. This means you do not have to pay a commission or "load" (though you do still pay a management fee on whatever funds you buy). It also means you will get no personal advice, although you will get plenty of written information on the funds and investment in general access to situations on the funds' performance and quick easy trading by phone or computer.

**Financial planners:** This group can be a bit confusing, partly because there are no clear regulations on who qualifies. "A person can go out and have a business card printed up and take a three-week course on how to sell mutual funds and say, 'Hi, I'm Bill, I'm a financial planner,'" says Waters. The Canadian Institute of Financial Planning is currently working on industry standards to clarify the situation.

However, some financial planners may be well qualified without having a CFP designation. Just make sure the person has some other designation such as a B.C.A., C.A., C.G.A., registered Financial Planner or Fellow of the Canadian Securities Institute plus appropriate experience.

Some financial planners work on a fee-for-service basis. They will help you work out your needs and an investment strategy with a fair fee of objectively, but you will have to purchase your investments elsewhere. Other companies such as Financial Concepts, Fenwick Financial and Regal Capital also sell investment products, particularly mutual funds, and

Continued on page 13

## Product Tip

Mutual funds offered by insurance companies can be a good RSP investment alternative for self-employed people because they are protected from creditors if the beneficiary is a spouse or a child. In the event of bankruptcy, creditors cannot claim any of these "segregated funds" held in an RSP because they would be considered assets to the beneficiary. However, Life Insurance, underwriting requirement at Regal Its Insurance Company of Canada, United, states that self-employed people must own this as a business to protect money when they have their own share to go bankrupt. Any such investments made in the two years preceding a bankruptcy may not be protected by the courts.

## MILTON WONG

president and CEO  
M.W. Wong and Associates,  
managers of the Hongkong Bank and Lotian Funds



*I contribute early in the RSP year. It's just a matter of getting up and together, because I'm an investor as an investor. I'm pretty aggressive because I'm in the industry and I look at my RSP as a long-term investment, basically I run my balanced fund-oriented. But on the last few years I've become much more focused on equities. I manage our own equity funds, so that's what I buy — a mix of putting your money where your stomach is, I guess. A lot of the growth in Canada is through smaller companies.*

*That's where you find the new technology and a lot of the employment and earnings growth. I also buy one Future Growth Fund because I like to be well represented in the technology sector. It's quite volatile. But if it's worth one year, I just buy more.*

*When I was younger I tended to buy a lot of speculative stocks. That was in the '80s, when we all wanted to go for a ride — and ended up with a portfolio of junk. I lost money, and those early days are very important.*

*As you get older you learn to have a long-term view and become less volatile and more methodical. And that's how the pleasant surprises come along.*

# MUTUAL FUNDS

## SOME TIMELY ADVICE



Thinking of purchasing mutual funds for your RSP investment portfolio? With hundreds of funds available today, deciding which ones to buy and when to buy them can be difficult. That's why thousands of people like you count on the professional advice of people like ours to help them make the right decisions.

At Regal Capital Planners Ltd. our independent investment consultants have instant access to a global network of professionally managed investments. And it's our independence that enables us to be completely objective and unbiased in our recommendations prior to making any purchases on your behalf.

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### Mutual funds are only for wealthy people.

"Nothing could be further from the truth," says Laurie Munro, senior vice-president of marketing for Mackenzie Financial Corporation. "You can set up a withdrawal plan from your banking account of only \$50 a month. Most people can afford that." In fact, one of the main purposes of mutual funds is to allow people who do not have the large lumps of cash necessary to purchase stocks, and cannot afford to take the risk of investing in individual stocks, a chance to participate in the stock market.

Munro suspects this misunderstanding grows from the old days when buying individual stocks was the only way to be involved in the market. "It used to be serious: you had a \$5,000 or \$10,000 lump sum you couldn't go to a stock broker. But but by people are realizing that's no longer true."

### The mutual fund company might go broke.

"Fund companies don't hold the investors' money," explains Terence Bue, president of Dynamic Mutual Funds. In fact, the money you invest is kept completely separate from the company's own assets, held for you by a trust company. "Because of that, there's very little risk." Bue points out that when the Principal Group went under, mutual fund holders were paid back promptly, while GIC holders had to wait, and those who had invested over the \$60,000 covered by the Canadian Deposit Insurance Corporation (CDIC) lost that money.

### Mutual funds are too risky.

This is a bit like saying all vehicles are risky. A brand new Volvo with all the latest safety features and a Raleigh bicycle are both excellent vehicles in the right time and place. But riding the Raleigh on a major highway on the Friday of a long weekend is an invitation to your own funeral. And even the Volvo can be a death trap if you are driving in the oncoming lane.

In short there are many different types of mutual funds and they are intended for different purposes. Some people say there is no such thing as a risky fund, only risky strategies. Francis D'Andrea, vice president of client services at Allstate, is one. "If you have 100 per cent of science and technology funds in your portfolio, that's a risky fund but it's also a risky strategy. If you have 10 per cent of a diversified portfolio is that fund, it's not a risky fund."

"The point is to match up your objectives, your time

frame and your risk tolerance with the right type of product," adds Bue. Moreover, leaving all your money in "safe" investments such as GICs may not be perfectly safe. "If I invest in mutual funds I risk the loss of my capital because the fund may go down," explains Bue. "But people confuse short-term volatility with long-term risk. Over the long term the risk becomes not the loss of capital but the loss of purchasing power. People think, if I leave the money in the bank then 10 years from now my money will still be there. You'll still have the money in 10 years, but what it will buy will not be the same."

### Mutual funds are too confusing.

Point taken. "We're not aware of this dilemma," says Laurie Munro. "There's over 11,000 funds out there."

Of course, choice isn't necessarily a bad thing. "If you want a Japanese equity fund you can do that now. If you want a US small cap emerging growth fund you can do that. These are selling more than additional flavors. As Baskin-Robbins grew they went from two flavors to six to 22 to 33. It's the same with mutual funds."

On the other hand, all these different funds, combined with different types of "loads" or commissions, different management fees, and varying measures of performance, can be overwhelming, especially if you do not have a strategy worked

out. That is why even professionals will get help in devising a strategy and choosing funds. "Most people don't have the time to figure out what's a good buy for them," says Munro. "Most people don't have the time to figure out how they need to be diversified by asset class, geography, by management style and possibly by currency."

And unless you are sufficiently knowledgeable and committed to buy mutual funds, you should also expect help from the person who sells you the fund, says Bue. "A mutual fund is not a product in the same way as a pen or a stapler. You're buying a promise of future performance and future service and that's a reasonable expectation."

On the help front, some firms are putting together diversified products, such as Mackenzie's STAR Asset Allocation Funds – 14 prepackaged portfolios, each with seven funds, designed to suit different types of investors. Dynamic's Team Fund mixes the best performing of the Dynamic funds, the mix changing according to the market. Scotiabank's Leaders Program offers two portfolios of mixed funds, Canadian and Global.



Naturally only you can decide whether mutual funds are an appropriate RESP investment for you. However, many people avoid mutual funds because of misconceptions. Here are a few of the most common.

## Big meeting today. Better wear the blue suit.



What are you doing after work? Will it be the retirement you've always pictured? Well, AGF has been helping Canadians reach their financial goals since 1957. Our wide range of 38 funds offer the fund objective, management style, and risk level you're looking for. And here's just some of our exciting, 100% RRSP eligible investment choices.

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What are you doing after work?

The Fund's management team, led by AGF's Laura Wallace, has brought together the very best in Canadian business for your RRSP.

There are also exceptional options for the more conservative investor. Our **AGF Growth-Income Fund** is ranked in the top 10 of all Canadian balanced funds over the last decade.\* And **AGF High Income Fund** uses a diverse mix of government bonds, preferred shares and high-yield equities designed to outperform traditional fixed-term deposits — without the addition of substantial risk.

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Important information about AGF Group of Funds is contained in the simplified prospectus. Obtain a copy from your financial advisor or AGF Funds Inc., and read it carefully before investing. Unit values, yield and investment return will fluctuate. \*Wall Street Journal, October 31, 1996. National's World's Best Money Managers Survey, June 30, 1996.

## PATTI CROFT chief economist, Citicredit Trust

*I have to admit I'm not of those who contribute at the last minute. I've seen that strategy, I've executed the numbers and I know it's hurting me, but it's because that's when I figure out what my maximum contribution is and how much I can afford.*

*Right now I'm heavily 100% in equities, because I believe the business will do its best during when they start to shed assets, driving the value of shares up over the next 20 to 25 years.*

*I also believe we're in a new era of low interest rates, weak growth and strong markets. In an environment of those per cent 4.25%, it makes sense to be in equities.*

*I don't invest in specific companies. I don't have the time or knowledge, or I buy funds. I try to go with different sectors, different regions. For a big believe in global diversification. There are some dynamic opportunities in the Pacific region and Latin America. There are some very vibrant economies there, and the demographics are the exact opposite to North America. There are going to be the big consumer sectors of the 21st century.*

CROFT took page 8

some are limited to sell insurance products as well. Some such as Investors Group have their own mutual funds. Others will offer you products from a variety of companies — although since they work on commission it is unlikely they will offer you a no-load fund.

**Full service brokers** — Brokers can sell you a variety of investment products for your RRSP including stocks, bonds and mutual funds, and provide you with good advice not so sought after the market. You will be paying a full commission on everything you broker sells you and some mutual funds pay better commissions than others. So make sure you choose someone you trust to put your interests first and that you are getting the advice you are paying for.

While many brokerage houses, which are mostly owned by banks, are huge, do not ignore very small firms and firms provide individuals whose trades are handled by a larger firm, says Waters. "Most people say, that wouldn't be safe dealing with an individual." Well, did you feel safe dealing with Confederation Life or Royal Bank? We have that mutual fund it is to be a great huge company."

**Discount brokers** — Every major bank, and Canada Trust as well, now has a discount brokerage service that customers can access by phone and/or computer. For a savvy investor who does not need the advice of a broker, this is an excellent way to save on the cost of investing. Typically you will pay only a 2 per cent commission on the first \$25,000 of mutual funds you buy, and are free to trade after that. You will also get a cheaper rate on stocks.

**Investment Counsellors** — These experts are generally only available to those with \$50,000 or more to invest, and can be found at a variety of financial institutions or operating as independents. Usually they receive a percentage of the assets they manage — the rate depends on the circumstances and the amount of money you have. Since they receive no commission on the products they sell you, they should be quite objective. (Some, however, do receive commission or a mix of commissions and a percentage of assets.) While they will want to discuss your situation on a regular basis, investment counsellors will generally take on the daily responsibility of managing your account. Often they will help you with other financial issues in your life.

So what kind of adviser should you pick? A lot depends on how much money you have to manage, says Waters. "People will say they want someone with lots of experience — the right amount of white hair grey hair too. But let's say you've got your first \$50K to invest. You couldn't really expect a lot of time from a professional adviser. You might be better off to go to your bank."

Once you have got around \$10,000 at the bank and have learned a little more about investing, you might want to branch out — especially if you want to find a greater range of investment products. You can choose someone who can offer you those other products along with some advice. Or, if you feel confident in your knowledge, abilities and commitment, try the no-load fund companies and experiment through a discount broker. You can also combine different forms of advice. For example, a fee-based financial planner can help you choose the RRSP investment strategy which you can then carry out through a discount broker.

If you are fortunate and/or diligent enough to get into the \$50,000 plus range, you will be able to attract the attention of an investment counsellor or high end financial planner and you may need their help.

Above all, don't despair. "I think right now it's a big win for Canadians," says Patti Croft, chief economist at Canada Trust, "because the advice giving market is so competitive. You don't have to have a million dollars to get good advice from a variety of sources. There are people who can help you through the maze of investment."

Written by Diane Powell, a freelance Toronto journalist.

Watch for Part Two: The RRSP Report Card in Maclean's February 12, 1997 issue or on weekends February 13, 1997.

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The Nation's Business



## Peter C. Newman

### Fred Eaton speaks out—Bravo Presto!

In so age when being cynical about Canadian politicians has become the nation's second most popular indoor sport, it's refreshing to find a True Believer.

Over the past two years or so, Fred Eaton, chairman of Canada's premier department store chain, has astonished his Establishment peers by acting as host and sponsor for fan-drawing dinners on behalf of Preston Manning, the popular leader of the Reform Party of Canada.

This is remarkable for three reasons: most members of the Canadian Establishment don't openly back Canadian politicians. They prefer to swing between Liberals and Tories, promising that the national parties will live up to the Establishment's view of good government—which is that if Ottawa will only stay out of the private sector, things will get worse a lot more slowly.

Secondly, the Eatons are one of the country's few surviving business dynasties, their empire having been founded in 1869. Their customers—which means most Canadians—grow up believing in the store's "satisfaction or money refunded" promise. Whatever an Eaton says will happen, happens.

Thirdly, this is an unusual form of civility because Fred Eaton has been a lifelong Conservative, having raised money for the PCs and been the beneficiary of the party's most coveted patronage appointment. Brian Mulroney named him Canada's High Commissioner for Canada to the United Kingdom, Great Britain and Northern Ireland in 1989, the highest-profile and most prestigious political plum within a prime minister's power to bestow.

"I am still a philosophical conservative," he told me recently in the first interview about his new political allegiance. "But I happen also to be a card-carrying member of the Reform party. This is what it stands for and I like Preston Manning. People ought to look at the history of what they're dealing with. His father was premier of Alberta for 25 years and was never touched by scandal. Ernest Manning was a man of considerable probity and I believe Preston is too. I've chaired a couple of dinners for him and found that when people stop and listen to what he has to say, they agree with him."

When I ask whether Eaton is frightened by some of the people around Manning, he shoots back: "Aren't you scared of Sheila Copps? You're always going to have some difficult people, because you've got them. The last Conservative administration turned out to include several MPs and ministers who were on the wrong side of the law. The thing about Reform is that many people don't appreciate that most of the party's MPs don't really want to be in politics. They're only in the House of Commons because they can see the country is in a mess and want to help clean it up."

Disturbed by his political conversion, Eaton's peers are pressur-

ing him to recant and return to the Tory fold. But he's not going back. "I've been to several events where Jess Charette has spoken," he says, "and I think it's just more of the same old story. To me, there's nothing inspiring or new about anything the present Tory party is putting forward."

He's even more critical of the Liberals. "As far as the Chretien administration has done anything about balancing the budget," he charges, "it's because they've been pushed into it by Reform. I find this a distressing government. They came in promising to change everything, and have changed nothing. Jean Chretien counseled the armed forces helicopter deal, which would have cost half a billion dollars, and stopped the Pearson airport modernization deal. Now, he's going home to buy the choppers again, and we're going to have about 10 years bringing Toronto airport up to date. Meanwhile, we're staggering along and being bypassed while other cities consolidate their positions as major airline hubs."

He continues: "Now Chretien got as far as he has as absolutely beyond me. That incident where he pushed the guy in Hallid's restaurant, he's nothing but a bully. And how he controls his party, expelling John Nantais and reappointing Warren Allmand, proves the same thing. Now, he's also been exposed as a liar. How is God's name he gets away with it, I don't know."

Partly because of the Liberals' current delusions, Eaton is optimistic about Reform's chances in the forthcoming election, though he cautions Manning to insist only the Opposition lie is contradicted. The campaign will be fought mainly on issues, and that's where he believes the Reform leader will shine. Unlike those concerned Canadians who see in Manning's hard line on Quebec a threat to national unity, Eaton points out that no previous government has done much to resolve the issue either. "So don't have to buy the helicopter or pay off all the rest," he mutters. "All this in Quebec. It's probably stupid and stupid like a procession wheel to get as much as I could. But I don't believe most Quebecers would object to some changes, as long as they were fairly treated. After all, the old methods have only brought us to the present crisis. It's time to try something else."

One result of Eaton's crusade is that he is encouraging Reform has touched a lot more of his friends than he realized. "We found on an outside number of closet Reformers," says he, "people who, when you start talking to them about it, could they voted for Preston in 1993. It's like when I lived in British Columbia during the 1960s and nobody ever admitted they'd supported Wrecked Bennett because he was Social Credit. And yet he got elected six times."

Fred Eaton's support would make such difference to Preston Manning's chances. But it sets a great example. It's time for more of our business leaders to declare where they stand, and why.

When I ask if he's frightened by the people around Manning, he shoots back: 'Aren't you scared of Sheila Copps?'

# Public school shakeup

BY VICTOR DWYER

**T**he same, it heralded a decisive victory for fiscal sanity and grassroots democracy. In others, it was crushing defeat. But when Ontario Education Minister John Snaden announced his plan to reduce the number of school boards in the province to 66 from 308 within the year, to slash the salaries of trustees by up to 90 per cent, and to give the province—rather than boards—the power to collect and spend education tax dollars, those on all sides agreed on one thing: Ontario, like so roughly one-third of the country's students, has cast its lot with a revolution that is transforming Canadian public education. It is a revolution that is sharply curtailing the once sacrosanct authority of local school boards to shape educational policy on everything from curriculum and schoolroom discipline to teachers' salaries and special education. "He who controls the money, controls education," says Clair Ross, general secretary of the Ontario English Catholic Teachers' Federation. "This is not just about downsizing the number of school boards. This is about a massive, unprecedented transfer of power out of local boards and into the hands of the provincial government."

Never was to place words with the province's 130,000 teachers. Snaden balked at such a notion. And at the same time as he announced his ministry's expanded role in collecting and apportioning education taxes, he promised enhanced powers—different ones he has yet to describe in detail—for so-called parent advisory councils at individual schools. Still, as the clock that ticked, there were few who

doubted that the unanimously passed Fewer School Boards Act steps marked a critical first step in a far-reaching shaking up of a system the minister has radically criticized as "inefficient." Still, Snaden's Ontario will no longer be sitting on the sidelines as others move ahead.

"That statement was a clear reference to the province's poor showing in the Third International Mathematics and Science Study, the results of which were released last November. Ontario students placed below the Canadian average in both subjects, and trailed students in all four provinces that were able to calculate individual scores," British Columbia, Alberta, New Brunswick and Newfoundland. The statement also appeared to indicate Snaden's frustration with his own slow progress, relative to his peers in other provinces, in reorganizing an educational system in which he plainly has little respect. Although he has cut 5400 jobs from Ontario's \$13-billion education budget since taking office in 1985, the minister has so far failed to translate those cuts into substantive changes.

In recent years, British Columbia, Alberta, Nova Scotia and Prince Edward Island have all reduced the number of school boards, while Manitoba, Quebec and Newfoundland have announced plans to do the same. And in New Brunswick, which is currently replacing traditional boards with advisory parent councils, ministry officials are warring up public hearings on a variety of issues that Education Minister James Loydley plans to address in a new Education Act. Among them, the introduction of mandatory kindergarten, the creation of a standardized, provincewide high-school diploma, and new requirements that all students remain in school as long as two years, to age 18.



Many and colorful parents fear they will not be listened to

Meanwhile, in Alberta, where the Conservative government of Premier Ralph Klein wrestled control of public school financing in 1995, Education Minister Gary Nair is training his focus on several day-to-day issues of curriculum and standards. In their most sweeping move so far, ministry officials have announced that they will issue comprehensive assessment criteria to all teachers this spring, the purpose of which is to gauge students' annual performance, beginning in Grade 1.

Now, Snaden, who has remained relatively vague in his recent announcements on specific issues of curriculum and standards, is beginning to make a strategy for playing his new financial clout into a significantly greater role in Ontario classrooms. That will no doubt be welcome news to many parents in the province, who in recent years have expressed anger and frustration with an educational establishment they say is failing to give their children a solid grounding in the basics. "It's time for this ministry to take its responsibilities seriously," said Snaden. "By that, I mean having provincewide standards of achievement at every grade level and a detailed common curriculum." The minister also told Morahan that he would like to see the end of the current practice of promoting students with failing grades through the system. "That," he said, "is unfair to students and unfair to teachers."

But while Snaden insists that his ultimate goal is to improve educational standards, some critics fear that his real aim is to lower the cost of public education—all part of his government's promise to reduce personal income taxes by 50 per cent. To do so, they say he must first weaken the powerful teachers' union. With Snaden in control of education finance, local boards will no longer be able to simply raise taxes to keep their jobs. More cautious, some fear that

Snaden's move to limit the ability of boards to put local education funds ahead of their concerns. More money, contributions of the MRCs, Harris and School Council in Toronto, is required by the new \$5.6-billion contract between the province and the unions. "With boards that size, you accountability will go right out the window," says Nair. "And for \$5.6 billion, I can't see anything going with the skills to effectively have such a huge responsibility."

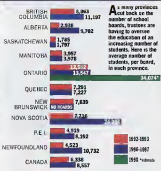
In fact, many educators say Snaden is setting the system up for failure. Ross, of the Ontario English Catholic Teachers' Federation, insists that Snaden's decision to take control of education financing is another indication of his determination to eliminate school boards altogether. "What will happen is what happened in New Brunswick," predicts the general secretary. "Once the boards had no meaningful role to play, the government was able to sweep in and close them down."

Currently, there are parents in New Brunswick who already doubt they will be heard in the new boardless system. All schools in that province must now elect parent committees, which in turn elect representatives to sit on 16 district school boards—six English, one French. But critics point out that all of these bodies are already advisory, and that the government is under no obligation to heed their advice. John Coverhill, chairman of the Woodstock High School Parent Committee, notes that his group received a copy of the government's new plan for education the very last day that minister Loydley was accepting applications to discuss before the standing committee debating the changes. "Even if we are to assume our input would be considered," says Coverhill dryly, "that was a pretty short deadline."

But others caution that a greater government hand in directing public education does not necessarily spell an end to local autonomy. Ray Wilson, president of the Alberta School Boards Association, notes that when Klein announced his new provincewide public education in 1995, his government ruled that no more than four per cent of education spending could be allocated to administrative expenses. Since then, however, minister Mar has empowered parent groups, working with parent advisory councils to decide whether they want to divert a portion of classroom dollars towards such board services as special education consultants and audiology workshops for teachers. "I see lots of anger in Ontario now, and there was lots of anger here, too," says Wilson. "But if people can get beyond that, there are no major differences that are beyond."

Of course, such criticism ignores the issue that governments will remain constrained in giving parents a real voice—and that parents will have the resources, time and commitment to take an enlightened hand in the direction of public education. No one is in a position to say that such a scenario is feasible. "What is going to happen in neighborhoods where most of the population does not have English as a first language, or where parents are not being asked to over their heads to take part in their child's school?" says Nair. "We'll have parents even know how to begin demanding a good education for their children?" But Snaden, keenly aware that many parents share his desire to see a more rigorous and accountable system of public education, clearly feels that the coming changes represent a gamble worth taking. "There is currently too great a discrepancy between what taxpayers invest in our education system and what they get for their investment," says the minister. "At the end of the day, the only thing that counts is the achievement of our students, and right now, that needs improvement." □

## GOING BY THE BOARDS





## The winning spirit

The thermometer read -35° C last week and there was a blizzard howling across the prairie, leaving Terrylyn Johnson cooped up inside. The 36-year-old cross-country skier from Steinbach, Man., southwest of Winnipeg is on the Canadian team heading to the Special Olympics World Winter Games held from Feb. 1 to 8 in Ontario, and she did not like missing a day of training so close to a major competition. And because she was at her mother's home in nearby Assiniboia when the storm hit, she was cut off from the stationary skiing exercise machine in her Steinbach apartment. But training is not Johnson's only concern. Even though she is a seasoned competitor, she has to overcome nervousness about going to a new place and being surrounded by so many strangers. "That's what's so scary—you never know what to expect," Johnson says. "But I'm willing to try, even though I get scared, I don't want to give up."

That spirit is the backbone of the Games, which organizers say will be the biggest

worldwide sporting event of the year. It brings together about 3,000 mentally handicapped skiers, snowboarders, figure skaters, speed skaters and floor hockey players from more than 80 countries in Toronto and the Georgian Bay resort community of Collingwood. Most athletes live in long-term care facilities, but there is no pot of gold at the end of the downhill run, nor lucrative endorsements awaiting winning skaters. And ratings are hardly the only reason why opening ceremonies and daily highlights will be televised on The Sports Network—TSN is a sponsor of Canadian Special Olympics. At a time when professional athletes are warily eyed in greed and cynicism, these Games champion the joy of participation and the ideals of amateur sport. Snowboarder Jamie Hedlow, one of 82 competitors who comprise Team Canada, told Marlene he was excited to be able to race at a world event, and hoped to win a medal. "But if someone else wins," his mother, Margaret, added, "Jamie will be out there shaking their hand and shaking their



Johnson doing training "even though I get scared, I don't want to give up"

back. He's happy no matter who wins."

The Toronto-Collingwood bid to host the 1997 Games was led by Toronto brokerage executive John Scott and former Canadian Special Olympics program director Lyne Hoffman. Scott, who attended the 1988 Special Olympics Winter Games in Schladming, Austria, says he was inspired by the athletes' joy and achievement. But the organizing committee has been unable to raise all of the \$9.4-million budget and may have to rely on an Ontario government guarantee to underwrite the shortfall. Scott said he would not know the final tally until the last tickets were sold, but insiders estimate the normally tightfisted Harris government will have to pay about \$4 million. "It has been a lot tougher than we anticipated to raise the money," Scott said. "The sponsors have been great, but we need more athletes."

With the 1997 Games, the Special Olympics movement is returning to its roots. The international organization was initially funded by the Washington-based Joseph P. Kennedy Jr. Foun-

dation, but it was physical education professor Frank Hayden whose early 1960s research at Harvard's McMaster University that first contradicted the notion that people with mental handicaps could not withstand high levels of exertion. Hayden, 66, who co-founded Special Olympics in 1968 and now works as a consultant to the Canadian Special Olympics office in Toronto, demonstrated that sport enables

## Winter Games return the Special Olympics to their roots

athletes with mental handicaps to enjoy better health and higher self-esteem. "You just have to be there," says Jon Jordan, president of Canadian Special Olympics, "to see the smiles on their faces, to know how much this means to them."

Hayden's hypothesis has been reinforced by the more than one million athletes now competing in Special Olympics programs in 340 countries. Jamie Hedlow, who next week will race in the 100, 200 and 400-m events, was once painfully shy and withdrawn.

Now, his mother says, the 26-year-old has a job at a local grocery store "where he easily interacts with customers." "We have a real close-knit group on our hands," Margaret Hedlow says with a laugh. Terrylyn Johnson, meanwhile, did not talk at all until, at a local workshop for the mentally handicapped when she was 10, a teacher put her on a pair of cross-country skis. "She tried, she fell, she got up and fell again," says her mother, Florence. "But she learned, and now she skis like the wind and she gets along with everyone she meets."

Johnson's skiing has enabled her to compete in national and international events, including the 1994 Paralympics in Lillehammer, Norway, where she won a bronze in the five-kilometre event. She hopes to qualify for the 1998 paralympic team in Nagano, Japan, because, even though going to new places is "scary," it is also the most exciting part of being in sport. "I don't even want to come home from Lillehammer," she says. "It was beautiful, and not so flat as here." Her many medals, it seems, are the least of Johnson's achievements.

JAMIE DEACON



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Forekott with a garlic. Everybody in the lab has been eating a lot of garlic just in case.

## The aroma of wellness

For centuries, cultures around the world have revered garlic for its purported health-giving properties. Today, there is growing evidence that the pungent bulb is really as good for people as studies have shown: that garlic powder tablets can help prevent the buildup of excessive blood cholesterol, a common cause of heart attacks. Now, Pol-Gök Forekott, a cellular toxicologist at Queen's University in Kingston, Ont., thinks that garlic may also help provide protection from the kind of cell damage that may lead to cancer. Forekott dove deep with garlic derivative and exposed there to a toxic chemical and sus-

spected carcinogen that mostly affects lung tissue. The procedure had no effect on the lungs of those mice—but it severely damaged the lungs of other mice who received no garlic. Armed with a \$606,000 grant from the U.S. National Cancer Institute in Bethesda, Md., Forekott now plans to conduct further studies using a circumlocutory substance to mine and human lung tissue samples to see whether garlic's promise as an anti-cancer agent holds up. Forekott is cautiously optimistic. "Now we're being doing this work," she said last week. "Everybody in the lab has been eating a lot of garlic just in case."

## Mastectomy alternative

A breast cancer study has revealed dramatic differences in the way women are treated for the disease in British Columbia and Ontario—and prompted charges that too many women are having breasts removed when less drastic surgery would be just as effective. A study published in this month's *Canadian Medical Association Journal* showed that, in 1991, 95 per cent of women treated for localized breast cancer in Ontario had breast-conserving lumpectomies rather than mastectomies, while only 44 per cent

of the women treated for the condition in British Columbia had lumpectomies. The study, carried out by doctors in the two provinces, found that in British Columbia, younger surgeons were more likely to perform breast-conserving surgery. Adriel Stancivick, an oncologist at Edmonton's Cross Cancer Institute, said the survey shows that too many mastectomies are being performed. "In many cases," said Stancivick, "women don't need to lose their breasts. Both women and their doctors need to be better informed about the choices available."

## The on/off switch

In a major discovery that could lead to better treatments for diseases in which the body's defence mechanisms go awry, scientists in Toronto have identified a gene that may play a predominant role in controlling the human immune system. Researchers at the Toronto-based Ontario Cancer Institute said that unlike other genes discovered in the past that regulate the immune system, the newly identified gene—19F4—acts like a switch to turn the system on and off. By studying the gene, said Peter Chan, a member of the research team, scientists may be able to develop new drugs to treat multiple sclerosis, arthritis, diabetes and other illnesses in which the immune system attacks the human body instead of defending it against invading bacteria and viruses. The researchers determined the gene's function by studying a genetically altered mouse produced as a project overseas by Toronto's Argenx research Institute, directed by immunologist Tak Mak.

## Prozac passes a pregnancy test

Experts estimate that up to 30 per cent of North American women may suffer from depression since time during their lives—and most often during the child-bearing years. But because of uncertainty about the effects of antidepressant drugs on the fetus, many women stop taking medication during pregnancy—a decision that in extreme cases can lead to severe illness or even suicide. Now a major Canadian study, published in the current issue of the prestigious *New England Journal of Medicine*, has given two widely used types of antidepressant drugs a clean bill of health for use during pregnancy. A research team led by Dr. Gibson Koren at Toronto's Hospital for Sick Children studied 55 young children whose mothers took the popular antidepressant fluoxetine (Prozac) during pregnancy, 86 children whose mothers used other types of antidepressants and 84 children whose mothers did not use antidepressants. The researchers found no physical abnormalities or differences in intelligence, language development or behaviour among the three groups of children. "Now, we can assure women that it is all right for them to treat their depression during pregnancy," said Koren. "I think this will affect the lives of many thousands of women worldwide."



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Kelly Looze • PHOTO



# People

Edited by  
BARBARA WICKENS

## Hart and emotion

Former teen idol Corey Hart is embarking this week on his first cross-Canada tour in a decade. Appealing to an older demographic this time around, Hart, 36, has polished his posh, silver-streaked poppier beginnings—along with the spiky hair—for the romantic, more adult image of his new CD, *Corey Hart*. "We took a lot of care that it was warm, that it sounded rich," the Montreal-based Hart says of adult songs as the hit single *Black Clouds* starts out the album *Tell Me*. The CD has sold more than 50,000 copies so far, a level of success he now finds comfortable. In the mid 1980s, Hart sold an extraordinary 30 million albums worldwide before his career began to wane. "I felt a sense of disillusionment and needed to retreat," admits Hart, who also suffered the breaking of his first marriage. Now, love with transophone singer Julie Masse, and



the birth of their daughter, India, in 1995, inspired him again. "I went through some very significant changes in my life, but triggered a volcano of emotion," says Hart, "and those emotions found themselves in songs."

## Kramer versus Kramer

New York City resident Kenny Kramer—the inspiration for the crashed *Kramer* (Michael Richards) on NBC's hit sitcom *Seinfeld*—figures his 15 minutes of fame are just starting. The so-called Real Kramer began capitalizing on his notoriety last year by leading weekend bus tours of the show's landmarks, such as the characters' favorite coffee shop. Now, he has turned the tour into a stage show, and will appear in Washington and Toronto in early February before heading off on a six-week tour of Australia. "It could come to a point," he says, "where I could surpass the 'Real Kramer' thing and take on a career being me."

Richards, Kramer (far right) here



## A sudden—and surprised—star

With two popular movies currently playing in North American theatres, actor Renee Zellweger is suddenly very hot. In July 1995, Vancouver director *Don Ireland* cast Zellweger in the recently released *The Whole Wide World* as the girlfriend of Canada's Barbican novelist Richard Howard (Vincent D'Onofrio). But she thought her manager was joking when he told her that she had an audience



Zellweger, *New expectations*

for the part that many of Hollywood's top actresses—including *Winona Ryder* and *Mira Sorvino*—were clamoring for. *Ten Candles* was released in the sports-apocalypse Jerry Maguire even at the saddest, the Texas native says her expectations were still high. "I really respect Tom Cruise, so I wasn't even thinking about the part," Zellweger, 26, recalls. Her main concern, apparently, was to make sure she was not remembered by Cruise as the girl who could not act.

## A dancer celebrates the cosmos

Cosmos has called choreographer Marie Chouinard one of the Canada's original dance talents in Canada. But until this week, she had never taken her six-year-old contemporary dance troupe, *Compagnie Marie Chouinard*, on a Canadian tour. Starting on Jan. 28 in Toronto, and then crisscrossing the country before heading off to Mexico, the 43-year-old choreographer and her 30 dancers will present

her internationally acclaimed interpretations of *Stravinsky's The Rite of Spring*. Chouinard, who had a 10-year solo career before forming her Montreal-based troupe, which is known for its athletic work, says her depiction differs from others, which are usually about a village celebrating spring. "Marie is more on a cellular level," she explains, "about the power of life, the power of the cosmos." Chouinard adds "I have only one theme in my work—celebrating the mystery of life."



## New twists on old songs

The first act of the Canadian Opera Company's new production of Berlioz's *Benvenuto Cellini* concludes with a scene that is sheer perfection. On the night before her wedding, Hero (soprano Nancy Allen Knudsen) and her companion Ursula (mezzo-soprano Anita Krause) sing the opera's famous nocturne, a sensuous, melancholy duet in which Hero bids adeu to her girlfriend and contains the uncertainty about. Not only is the singing superb—the young women's voices harmonizing with all the bells and chimes of two jewellers in flight—but director Robert Phillips' staging is so fine that the two appear, almost, to be dancing an slow motion.

Operatic acting is not usually thing good. In North America, at least, the whole must as aspect of opera often comes off a pace second to the music. Confronted with overacting, maddeningly obvious, staid direction, and sets and costumes that do not seem to have changed in a century, many opera lovers prefer to close their eyes, or listen at home to the stereo. But over the past few years, some North American companies have taken an approach here established in Europe, where it is common to invite actual film and theatre directors (Lauchlin Wilson, Franco Zeffirelli) and artists (Marc Chagall, David Hockney) to lend a hand to the operatic enterprise. The Canadian Opera Company has sporadically taken the lead in this area while some of its productions are hardly groundbreakers. It turned heads two years ago when it hired the country's hottest

theatre director, Robert Lepage, to stage new productions of Berlioz's *Benvenuto Cellini* and Schoenberg's *Erwartung*. Lepage's strikingly original approach—at one point water flooding the floor of Benvenuto's studio seemed to turn to blood—made for a huge popular and critical success.

This season, the COC's artistic director, Richard Bradshaw, has continued the trend by signing noted film director Alan Bayson, who in the fall mounted a daring version of Richard Strauss's *Salome*. He has also enlisted veteran theatre director Donna LeBlanc to present Puccini's *Don Quixote* at the Carleton Place Festival. Bradshaw has commissioned other notable filmmakers, François Girard (*Henry VIII: Short Film About Henry*), and even a comedian, to direct a double bill of Stravinsky's *Symphony of Pines* and Gershwin's *Rhapsody in Blue* later this year. And in hiring Phillips, the former artistic director of the Stratford Festival and Edmonton's Citadel Theatre, Bradshaw has added a variety of talent with a reputation for creating detailed, nuanced performances from his actors.

For the brief, English-less Bradshaw, updating opera is crucial to its survival. "We have a new generation of people who grew up on film and television, and whose visual acuity is quite different from previous generations," he told *Maclean's*. "It only seems natural that an audience of such people will be more excited by a director like Alan

Bayson, who has a similar way of seeing things." But getting such an audience to come can be difficult. Bradshaw adds "I think I know what 15,000 people in Toronto have wanted for 25 years," he says of his core audience of opera lovers. "But I'm principally concerned with why the other five million people in this area don't come. I don't think it's because what we're doing is uninteresting, or because they're stupid, or because they're not particularly interested. I think they're just out of the image of what opera is."

Bradshaw believes that image—opera as a elitist art form appealing mainly to upper-income people over 55—is still weighing its future. "That is why it is so difficult to get our audience," says New York City's Metropolitan Opera that steadfastly refuse to innovate. "They justify their lack of enterprise by saying they're a museum, a repository for all that's happened in the past. But to me that's a recipe for death."

There are hopeful signs that the COC's attempts to update itself—it has also commissioned new works by Canadian composers including 1999's *Red Kettle* by Gary Kulevskaya—are bearing fruit. "We're certainly attracting a younger audience," Bradshaw says citing market research conducted by his company. A third of its youth who saw *Salome* were under 30, and that is encouraging. As for *Benvenuto Cellini*, which opened on Jan. 21 and runs until Feb. 2, Bradshaw is betting that Phillips, whom he calls "our best of the world's great directors," can compete in the current market. The COC's 1993 version of Mozart's *The Marriage of Figaro*, The Berliner, had sold out.

Phillips admits, it is a risk, because it has a weak narrative structure. "We never saw Benvenuto Cellini work dramatically," he confesses. "None." To make it work, Phillips has taken some bold steps. The opera is written in French and is usually performed with English surtitles projected above the stage, that requires re-orchestrating Berlioz's score versus of the original Shakespeare—the opera is based on *Henry VIII: Short Film About Nothing*—to be serviceable. Phillips says "That was more than I could stand." But he adds, "This is not a risk. It's not going to be Shakespeare up there in the surtitles." So, for the opera's dis-

logue, Phillips has reinstated Shakespeare's blank verse (the song lyrics are still in French, something he feels an officially bilingual country can tolerate) that created a new problem: how were opera singers going to master the Shakespearean's verse? Phillips himself was skeptical. He remembers going over a speech of Beatrice's with lead singer Jane Gilbert and thinking, "She'll never get it. But maybe in two weeks she will have a possible reading of the line." But 30 lines later, Phillips recalls, "She went to it like a diet."

Phillips is rewarded for grounding actors solidly in their parts by creating a sense of control for them. In the past, he has brought relevant paintings or photos into rehearsal, or halted at length about the period a play or opera is set in. "The actor who stands during rehearsal," says Gordon Grier, the young Canadian actor who plays Benedict, "historically's spurring lower," and sometimes you wonder what they have to do with the opera. But they help you achieve a depth in your performance." Grier says he is astonished by the thoroughness of Phillips' direction. "With *Salome*, it's not simply enough to walk out on stage. You have to know where your character's just been, and what he's thinking about. He'll make us go over an entry 15 times." Adds Grier: "I don't think the contemporary has something really thrown on stage."

Phillips has also taken the unusual step of adding two characters to the opera: older versions of Beatrice and Benedict (played by Fiona Reid and Benne Ingvaldsen) who, from the perspective of 1918, watch and occasionally comment from the sidelines as their younger selves of 1660 bicker and fall in love. The device gives some handy extra structure to the opera, though not even Phillips's mastery took care entirely save *Benvenuto Cellini* from its inherent disjointedness. But he has succeeded in creating some charming, if not exactly Stravinsky-quality, performances. "With *Salome*, it's not simply enough to walk out on stage. You have to know where your character's just been, and what he's thinking about. He'll make us go over an entry 15 times." Adds Grier: "I don't think the contemporary has something really thrown on stage."

Asked by Christine Pocklington's costume designer, Phillips says he learned and there by the scarlet tunic of the soldiers, Phillips has done as much, dramatically, for *Benvenuto Cellini* as it is possible to do. The localized beauty of this production may not add up to a sweeping, overwhelming vision, but they add a valuable touch or two to opera's ongoing search.

JOHN REMBOISE

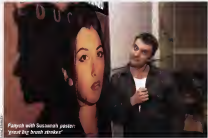
## Nude angels and 'creepy' people

Morris Panych loves to challenge his audience. And that's exactly what the acclaimed Vancouver playwright, actor and stage director plans to do with his latest directorial project: a daring new Vancouver Opera production of Canadian playwright's contemporary American opera *Sweeney*, which opens on Feb. 1. The melodic work—which features Appalachian-style folk ballads, hymns and square dance music—tells the story of a naive, beautiful 19-year-old girl who is the object of both lust and scorn within her God-fearing Tennessee community. After church elders spot her bathing nude in a creek behind her house, she becomes the victim of a pernicious crusade led by morally inelegant townsmen. While kept to its original scale—first performed in 1955 against the backdrop of Senator Joseph McCarthy's anti-

gay set will feature a massive blue tree shopped of all colors. "It is a perfect image of what a community is—bananas," says Panych. "When it is, it can be beautiful and majestic, but it can also be dangerous and imposing."

Panych readily admits he is no opera expert. But according to conductor David Agier, Vancouver Opera's music director, he is a natural. "He understands instinctively what the music is saying," says the maestro. Agier adds that Panych has a gift for eliciting strong dramatic performances from his cast, which includes Canadian soprano Sally Dobbie in the title role and U.S. bass-baritone David Pittenger as fire-and-brimstone preacher Olin Blitch.

Born in Calgary, Panych, 44, first gained attention in 1982 when he staged a Vancouver production of his own play *Last Call*. A



Panych with Sweeney's pastor, great big brother

Communist witch hunts—Panych is adding some provocative twists of his own. For one thing, the drama will unfold under the gaze of male and female angels who, at times, appear entirely nude. "I wanted the audience to feel what the people in that community feel," Panych says. "When they see a naked person onstage they might have to confront their own hypocrisy and lust. And if they walk out, it is even better because it will tell us that it still exists today."

Panych is part of a new breed of stage and film directors breathing fresh life into old art forms long barely lived to, in the words of Vancouver Opera communications manager Pamela Post, "the Wagnerian-style park and bark, stand and deliver." Working closely with choreographer Wendy Goring and longtime collaborator Ken Macdonald—who is both his set designer and his life partner—Panych says he has tried to make his *Sweeney* "blend of creepy and strange." The chore of tonight's movie isn't easy. And the minimal-

Post-Modernist Gower, a black comedy about the end of the world. Since then, he has written and produced several others, including *7 Stages*, *Myra* and *The Ends of the Earth*, for which he received the Governor General's Award for drama in 1994. Panych has performed in more than 50 plays and directed countless others, as well as two rock videos for the Vancouver band Spirit of the West. And for the past three seasons he has appeared in the now-regular role of the Gay-Haired Man, a nihilist musician, on the TV blockbuster *The X-Files*. "It's great identity conversation," says Panych. "If you've been on the X-Files, people don't care if you've won a Governor General's Award."

But why the jump to opera? "You just have to do it to read my writing," responds Panych. "I try to write with great bit by trash stories. Opera appears to me because it is a grander, more dramatic storytelling."

SCOTT STEELE in Vancouver



Everyone Says I Love You: It's as if the film-maker is dancing as fast as he can

# His funny valentine

BY BRIAN D. JOHNSON

**EVERYONE SAYS I LOVE YOU**  
Directed by Woody Allen

Woody Allen has always insisted that his art does not imitate his life as crudely as people assume. But the parallels were possibly apparent in *Shadowlands* and *Mirrors*, the films released in the wake of Allen's 1992 breakup with Mia Farrow and the scandal over his romance with her adopted daughter Soon Yi Previn. Since then, while fighting custody battles in the courts and the media, Allen seems to have gone out of his way to make movies that do not imitate his life, or anyone else's. *Munchausen* (1990), *Shadows over Broadway* (1994) and *Midnight in the Garden of Good and Evil* (1997) are all light fares, stylish comedies with dog-eared plots. *Previn* has given way to *Julia*. And as an actor, Allen has resorted to his old-school schtick of playing selflessly, a bid to solicit nostalgia for the Woody we know and loved, the little Tramp of his boyhood. It is as if Allen is dancing as fast as he can, trying to keep his damsel-to-love the audience entertained—distract, in every sense of the word.

With his latest film, Manhattan's director-in-residence goes further out of his way than ever before to find sweetness and light. He goes out of town, all the way to Paris and Venice. The movie's first glimpse of Allen shows him crooning the Scatman with a

legwork under his arm. The novelty of the moment is almost worth the price of admission. And so it turns out. *Everyone Says I Love You* is a veritable pinball machine of such moments, a movie built on novelty—not the least of which is the way its characters keep bursting into song.

Allen's 24th film is his first musical. Thankfully, it's not a musical in the "sage through" style of *Evita*, but in the now-you-see-it-now-you-don't tradition of *Singin' in the Rain*. The dialogue dominates, and when someone starts crooning, it often comes as a surprise. The director did not choose his cast for this purpose. He wanted them to sound like ordinary folks with a song in their hearts, and some hearts sound better than others. Allen lets himself off easy—in a brief, wistfully intimate scene, he croons *I'm Yours* with Love, sotto voce, under a Venice archway.

*Everyone Says I Love You* is perhaps the most ambivalent comedy of Allen's career, and the most accomplished, but it is also the most evasive. Nothing seems to be at stake. The narrative covers an extended family of romances, teaching each of their lives like a stone skipping across a pond. Allen plays Joe Bertrio, an ex-patriate New York novelist living in Paris who has just been ditched by his French girlfriend. Joe seeks out moral support from his cousin, Stella (Gaelle Houri),

and her husband, Bob (Alfonso Arau), two women friends who live in Manhattan with five-spirited children, the eternally non-conformist Scott (Takeshi Aono), two boy-crazy teenage daughters (Woody from Allen and Natalie Portman) who have their eyes on the same boy and Stella's two daughters from her marriage to Joe, the capricious DJ (Nascha Lyonnese) and the willful Skylar (Drew Barrymore), who is engaged.

Edward Norton, the lawyer in *The People vs. Larry Flynt*, portrays Skylar's compliant fiancé. Bolden, with great panache, adopting the self-effacing mannerisms of a younger, more supple Woody. But with the story unfolding as a kind of romantic relay race, the baton soon gets passed to the real Woody—as Joe—who seduces a woman typically out of his league and age bracket. Visiting Joe in Venice, DJ sends her into a mad pursuit of a young beauty named Vic (Julia Roberts). And DJ arms him with strategic information about Vic's fantasies, which she learned by eavesdropping on her therapy sessions.

In yet another subplot, Tim Roth tells his way through a hilariously over-the-top performance as a rude, on-again, off-again seducer Skylar. But none of the relationships amounts to much. In the end, we settle with Joe and Stella at a Marx Brothers costume ball reminiscing about better days, then skipping out for a magical last dance by the Seine.

Allen still shoots and edits with unspiced, unadorned skill and grace. By following the dialogue with a moving focus instead of piecing it together in the cutting room, he gives his actors a rare creative freedom that they rarely relish. This is also the most postcard pretty film that the director has ever made.

When his camera is not chasing Vivien Casals or spying the Eiffel Tower, it is flashing Central Park's spring blossoms and tall, thin, elegant trees. The scenery flows with old-fashioned elegance. And the action is paced with a series of exhilarating set pieces from jewelry-store clerks twirling a diamond-studded skipping rope in *My Darling Clementine* to a wheelchair acrobat performing *Aladdin* in a hospital ward.

*Everyone Says I Love You* is fast, funny and painless. But all the colorful gaiety masks a hollowness at the core. Disagreements go by unheeded, any hint of real emotion, or meaning. Unfortunately, Allen must be reassured by his own shoulders, and he knows him all too well. There was a time when he had something to say. He used to go on about Ignazio Bergami, and even tried to create him—which had his fans begging him to lighten up. Now, in interviews, he talks about how he likes to drink beer and watch the Knicks. He insists he is so intellectual. He may be right. But some thing is wrong when you find yourself laughing after all these years, that Woody Allen would get serious.

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# Allan Fotheringham

## Out of Africa—but they still take his calls

**“O**K,” I said to the Canadian ambassador to the United States, “how did you screw up in Africa?”

Raymond Clément lifts his big head, arched against the magnificent dome of the Capitol outside his office window, and just laughs at the question. He's not afraid of anything, least of all a blinding column of light trying to get in from out of him.

He doesn't think his manly inauguration is so out of the norm in Rwanda/Burundi/Zaire was a failure at all. This is a man who has a positive view of everything. An someone once said of another strong personality: “He has never said an ‘other’ word in his life.” I tell him there is something about an emboldened attitude among Canadians that our Boy Scout offer to head a UN effort to save lives floundered when the borders of Rwanda refugees suddenly were allowed to leave Zaire and head home. May it be, he scoffs. He thinks that Canada only gained by leading the charge in search of calm.

“You not going to be told by you guys in New York where I'm going or what I'm going to do,” he recalls of his ascription to the appropriate UN officials after then-Secretary General Boutros Boutros-Ghali approved his mission. It was a natural for Clément, since he was our ambassador for those three countries—I was just a kid—from 1979 to 1980. He was then 36.

He glanced that relative at 34 Sussex Drive: “Fortunately it was raining so he couldn't play golf and I said, ‘Jesus, it’s hot!’” He certainly did. This area of Africa is at the confluence of our Conservative and Francophone connections. But Raymond knows French both English and French than the relative up north already knew most of the players. He slipped off in Nice on the Riviera to see the vice President Mubutu, director of Zaire, asking after an operation.

He set out to interview 16 African leaders, and got to seven of them, from Nelson Mandela on down. “It was very tough. No one would even offer me a glass of water in the first week. I had to say to some of them:—from Kigali to Kinshasa to Kampala and on—‘I don’t believe you. You’re lying. It was tough. Believe me.’”

As always, he's optimistic. UN has 22-page report delivered to the UN Security Council, he says. “We went into a situation that other

countries wouldn't touch with a 100-foot pole. It turned out to be a win-win for Canada. It didn't cost much because the cross ended so quickly. And we didn't pay the price—none of our guys were killed.”

He sees himself as “St. John the Baptist” in his efforts there. “Someone else is going to have to be Jesus Christ.” He agrees that only Africans can solve Africa's problems. “The key player is South Africa. Only South Africa has the economic power and the military power. We'll see if they are prepared to use it.”

I try to steer him onto Quebec, but he won't bite. He allows that there will be “a fall election.” (A little leak there, Jean?) Getting back to Africa and peacekeeping, he says that Canadians should wake up. “We're not Sweden. We're not Denmark. We're a G-7 member. We should act like one.”

He wears philosophical when I remind him of Boutros-Ghali—while being sidetracked by Washington as UN boss—remarking that the United States now like Rome at the height of the Roman Empire: it doesn't even need diplomacy since, as the only remaining superpower, it can do anything it wants. He agrees, recalling a recent beguiling trip on the great U.S. aircraft carrier Theodore Roosevelt. Since 6,500 bodies aboard, A-7s bel hospital 300 doctors. Three deaths. Two no clearpowered engines hit this monster out of the water at 30 knots, capable of pulling 1,000 water skiers.

“They have a dozen of these around the world,” he says in awe. “What was the Soviet Union has there, one racing and another useless. China is decades away from this.” He waves his arms in wonder. “This will be,” he predicts, “the major decision for Canadian

our lifetime”—the encompassing message of American culture. In the Africa he knows so well, everything seems a Michael Jordan sweatshirt. He points out that, thanks to NAFTA, our exports to the United States have risen from 75 per cent of our total to 82 per cent. “That's our market!” He's excited now—sneering alarmed. “Our trade to the Pacific”—where the unnamed relative has just returned—“is minuscule.”

He's proud of what he tried to do on his Africa mission. “To this day,” he says, sitting at his desk, “anyone over there takes my calls.” Behind his desk resides a proud portrait, two trophies—a man and a 20-year-old daughter.

I tell him the joke taught to me by Washington's highest-paid lobbyist: the difference between a diplomat and a lady. When a diplomat says yes, he actually means maybe. When he says maybe, he means no. But he never says no. Other wise he wouldn't be a diplomat. When a lady says yes, she means maybe. When she says maybe, she means yes. But she never says yes, otherwise she wouldn't be a lady.

He ignores the political uncertainties of the day and recounts his recent appearance at a brunch with all the ANC ex-war heroes. “There were only 10 people in the room I wanted to talk to and I got to all of them. This job never ceases to be work.”

“You know, you have to almost be an actor as much as an observer.”



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